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ABSTRACT

This report of a Congressional hearing regards the effects of the administration's 1984 budget on training and employment programs. Testimony includes statements from five individuals representing the Research Department of the United Auto Workers (UAW); the mayor of Minneapolis, Minnesota on behalf of the National League of Cities; the mayor of Trenton, New Jersey on behalf of the United States Conference of Mayors; the American Federation of State, County, and Municipal Employees; and the National Association of Counties. Additional information submitted for the record deals with assistance to laid-off UAWs in Michigan and Ohio, comparison of state unemployment insurance laws, and training and unemployment insurance. (YLB)

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EFFECTS OF ADMINISTRATION'S FISCAL YEAR 1984 BUDGET ON TRAINING AND EMPLOYMENT PROGRAMS

ED233181

HEARING

BEFORE THE

TASK FORCE ON EDUCATION AND EMPLOYMENT

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

MARCH 7, 1983

Printed for the use of the Committee on the Budget

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CONTENTS

Statement of:

	Page
Fischer, Lydia, economist, Research Department, United Auto Workers; accompanied by Doris Siegner	54
Fraser, Hon. Donald, mayor, Minneapolis, Minn., on behalf of the National League of Cities	11
Holland, Hon. Arthur J., mayor, Trenton, N.J., on behalf of the U.S. Conference of Mayors	23
Lucy, William, secretary-treasurer, American Federation of State, County, and Municipal Employees; accompanied by Steve Silbiger, associate director for legislation	42
MacIlwaine, Paula, commissioner, Montgomery County, Ohio, representing the National Association of Counties; accompanied by Matthew B. Coffey, executive director, NACo	1

Additional information submitted for the record by:

Fischer, Lydia:	
Assistance to Laid-Off UAW Workers in Michigan and Ohio	66
Comparison of State Unemployment Insurance Laws	68
Prepared statement	56
Training and UI Benefits	67
Fraser, Hon. Donald, prepared statement	14
Holland, Hon. Arthur J., prepared statement	25
Lucy, William, prepared statement	45
MacIlwaine, Paula, prepared statement	5

EFFECTS OF ADMINISTRATION'S FISCAL YEAR 1984 BUDGET ON TRAINING AND EMPLOYMENT PROGRAMS

MARCH 7, 1983

HOUSE OF REPRESENTATIVES,
TASK FORCE ON EDUCATION AND EMPLOYMENT,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The task force met, pursuant to notice, at 9:30 a.m., in room 210, Cannon House Office Building, Hon. Richard A. Gephardt (chairman of the task force) presiding.

Mr. GEPHARDT. Good morning and welcome. This is the third in a set of hearings on education and employment by the Education and Employment Task Force of the Budget Committee pursuant to trying to put together the specific pieces of the 1984 budget.

In today's hearing we will be concentrating on the effects of the administration's 1984 budget on training and employment programs. We are fortunate to have with us today a panel of local elected officials. I would appreciate it if they would come as a panel. Paula MacIlwaine, commissioner, Montgomery County, Ohio, representing the National Association of Counties; Donald Fraser, a former colleague and friend who is mayor of Minneapolis, Minn., representing the National League of Cities, and Art Holland, mayor of Trenton, N.J., who will be representing the U.S. Conference of Mayors.

We are pleased to have you here. We appreciate your taking the time to be with us this morning, and we look forward to your testimony, at the end of which we will engage in some question and answer.

Ms. MacIlwaine, why don't you begin your testimony? Your written testimony will be made a part of the record and we would be happy to have any statement you care to make.

STATEMENT OF PAULA MacILWAINE, COMMISSIONER, MONTGOMERY COUNTY, OHIO, REPRESENTING THE NATIONAL ASSOCIATION OF COUNTIES, ACCOMPANIED BY MATTHEW B. COFFEY, EXECUTIVE DIRECTOR, NACo

Ms. MACILWAINE. Thank you, Mr. Chairman. I am Paula MacIlwaine, commissioner of Montgomery County, Ohio. I chair the Employment Steering Committee of the National Association of Counties. I am accompanied today by Matthew B. Coffey, executive director of the National Association of Counties.

We are here today to support Federal job creation. Our Nation's unemployment rate is expected to remain at nearly 10 percent for another year. That means 11.5 million people out of work.

Minority youth unemployment is a staggering 50 percent. My home State ranked fourth in the Nation with an unemployment rate over 14 percent in December and 712,000 people out of work; 47,800 live in Montgomery County. Our unemployment rate has just been announced as 12.7 percent.

We need jobs now and we can't wait. Last fall, Congress authorized funds for highways and mass transit. Most of these funds are for equipment, materials, and capital assistance. There is no required percentage for wages, and no guarantee that the unemployed will be hired.

Last week the House passed an urgent supplemental bill for public works and humanitarian relief. But we also need jobs. We need them now, not a year from now. Those who need them most are those who have been out of work the longest.

Simply stated, we want to be sure that there will be a phase II as promised, and that this phase II will bring Federal job creation to the local level. When I meet with the residents in my county who have been unemployed, I need to be able to tell them, "I know that there will be 10, 20, 50, or 100 jobs tomorrow, next week or by June."

I wish these jobs could be found in the private sector. Even if the economy is on the rebound, employment always lags behind other economic indicators.

In Ohio we have several plant shutdowns that we know will never open up again. It will be some time before the private sector can generate the number of jobs needed in my county.

I wish that local government had the funds to provide jobs locally. But several forces have been at work to reduce local government resources to an all-time low.

We have had massive cuts in Federal aid combined with increased Federal mandates; higher operating costs; no slackening off in the demand for services; a reduced tax base resulting in cash flow problems; continued high interest rates for governments trying to borrow funds; and a reduction in the attractiveness of local bonds.

Adding to that all of the people who are unemployed are no longer paying taxes, so our tax base is being reduced also for that reason.

I wish that training alone would solve the problem. But training does not put food on the table, or pay the mortgage. I do not know anyone with a crystal ball who can predict where training now will guarantee a job tomorrow. From all I have heard economists say, we are undergoing a fundamental shift in our economy.

The steel and auto industries will come back, but they will never again provide the number of jobs they provided in the past. We are moving toward a high-tech, post-industrial economy.

There are graduates from computer school who discover that 3 months of training is no ticket to a secure future. Training is valuable and will pay off in the long run. But what is needed now is a short-term, immediate jobs program.

NACo does have policies supporting certain principles that we believe should be contained in any job creation legislation. Such a bill should:

Guarantee a quick start, using local governments as service deliverers with experience in employment programs, a proven track record, and accountability for public funds;

Limit the length of enrollment, and tie appropriations to unemployment to underscore the temporary, emergency nature of this measure;

Supplement, rather than replace, existing efforts under the Job Training Partnership and Wagner-Peyser Acts;

Provide for the equitable distribution of Federal funds to units of general local government based on local needs factors;

Target funds to communities hardest hit by unemployment—this is an essential part of what we are representing;

Restrict hiring to the long-term unemployed;

Maximize Federal dollars for job creation to insure that, for the dollars spent, the greatest number of individuals can be hired and the predominant share of funds goes for wages rather than materials;

Pay people for productive work;

Permit flexibility at the local level to tailor the program to the needs of the community, selecting from a wide range of allowable activities; and

Balance the needs for infrastructure repair with the needs for basic human services.

For each $1 billion appropriated, we have heard that 100,000 of the unemployed could be placed in annual jobs paying $10,000 and the national unemployment rate could be reduced by 1 percent. Estimates as to how much Congress is willing to appropriate vary from $4 to $8 billion.

We are concerned that $10,000 a year may be lower than average entry level wages in some areas of the country and hope that perhaps this index can be edged upward in such cases.

Local governments participated in job creation efforts 7 years ago. We set a record then, hiring more than 450,000 unemployed in public jobs between May 13, 1977 and March 3, 1978. The rate is impressive. We could do it again, but we would prefer a more gradual buildup, and some assurances with regard to liability.

New job creation must not come at the expense of current commitments to job training, at a minimum, we need $2.4 billion in fiscal year 1984 for title II-A of the Job Training Partnership Act.

Of the $2.48 billion, $1.9 billion would go to local areas, which is the same amount available currently. Some local areas will gain and some will lose, even if the total of $1.9 billion remains the same, since the formula factors have changed and there is no substate hold-harmless provision.

In addition, in order to support the new program year concept in the Job Training Partnership Act, 9 months of forward funding is required. Assuming that at least $3.48 billion will be needed for titles II-A, II-B, and III for 12 months, then an additional $2.61 billion is required in forward funding. This does not include an inflation factor of 5 to 10 percent, which should be built into any projections.

Now I have highlighted the need and our recommendations on job creation and on job training, let me tell you a little bit about Montgomery County and what we would do if we had some job creation funds.

With past job funds, Montgomery County staffed positions with the United Way to handle suicide prevention hot lines; placed teacher aides in the child development center to provide quality day care for working parents; hired a driver to the senior citizen center to bring the elderly into the center for activities and take them to medical appointments; provided social service trainees for the Legal Aid Society, one of whom has since gone on to run a free neighborhood law clinic; hired and trained individuals to become emergency medical technicians assigned to Box 21 and volunteer rescue groups; provided recreational leaders at youth camps and the YMCA; hired and trained home health aides to go into the homes of the elderly and sick and provide care where hospitalization was not necessary; set up a part-time security patrol designed to prevent vandalism and crime; and funded a unique program called Can-A-Lot, which taught low income people how to can and preserve their homegrown fruit and vegetables so food would be available throughout the year.

With public works funds 7 years ago, Montgomery County renovated and occupied two floors of the 11-story Riebold Building. The move enabled us to improve the coordination of county services by locating all the human resource agencies in one place.

Since then, additional funds have become available to refurbish the rest of the building what has now become the centerpiece of the downtown revitalization project.

At the same time, Dayton used its public works funds to convert a deteriorating old school into a career academy which today is the city's principal vocational school.

Dayton also used public works funds to upgrade streets, sidewalks, and lighting in the Oregon district, an area listed on the National Registry of Historic Districts. The city's investment spurred further development by private investors.

The area has become a major entertainment district with shops and restaurants for visitors attending events at the nearby convention center.

In closing, let me add that we welcome any opportunity to work with task force members further on job creation efforts. We appreciate the opportunity to appear at this hearing. We look forward to answering your questions.

[Testimony resumes on p. 11.]

[The prepared statement of Ms. MacIlwaine follows:]

PREPARED STATEMENT OF COMMISSIONER PAULA MACILWAINE

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, MY NAME IS PAULA MACILWAINE, COMMISSIONER OF MONTGOMERY COUNTY, OHIO. I CHAIR THE EMPLOYMENT STEERING COMMITTEE OF THE NATIONAL ASSOCIATION OF COUNTIES. I AM ACCOMPANIED TODAY BY MATTHEW B. COFFEY, EXECUTIVE DIRECTOR OF THE NATIONAL ASSOCIATION OF COUNTIES.

THE NEED IS GREAT

WE ARE HERE TODAY TO SUPPORT FEDERAL JOB CREATION. OUR NATION'S UNEMPLOYMENT RATE IS EXPECTED TO REMAIN AT NEARLY 10 PERCENT FOR ANOTHER YEAR. THAT MEANS 11.5 MILLION PEOPLE OUT OF WORK. MINORITY YOUTH UNEMPLOYMENT IS A STAGGERING 50 PERCENT. MY HOME STATE RANKED FOURTH IN THE NATION WITH AN UNEMPLOYMENT RATE OVER 14 PERCENT IN DECEMBER AND 712,000 PEOPLE OUT OF WORK. 33,000 LIVE IN MONTGOMERY COUNTY. THE NEEDS OF THESE PEOPLE FOR JOBS MUST BE MET. WE CANNOT WAIT.

LAST FALL, CONGRESS AUTHORIZED FUNDS FOR HIGHWAYS AND MASS TRANSIT. MOST OF THESE FUNDS ARE FOR EQUIPMENT, MATERIALS, AND CAPITAL ASSISTANCE. THERE IS NO REQUIRED PERCENTAGE FOR WAGES, AND NO GUARANTEE THAT THE UNEMPLOYED WILL BE HIRED.

LAST WEEK THE HOUSE PASSED AN URGENT SUPPLEMENTAL BILL FOR PUBLIC WORKS AND HUMANITARIAN RELIEF.

BUT WE ALSO NEED JOBS. WE NEED THEM NOW, NOT A YEAR FROM NOW. AND THOSE WHO NEED THEM MOST ARE THOSE WHO HAVE BEEN OUT OF WORK THE LONGEST.

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*THE NATIONAL ASSOCIATION OF COUNTIES IS THE ONLY NATIONAL ORGANIZATION REPRESENTING COUNTY GOVERNMENT IN THE UNITED STATES. THROUGH ITS MEMBERSHIP, URBAN, SUBURBAN AND RURAL COUNTIES JOIN TOGETHER TO BUILD EFFECTIVE, RESPONSIVE COUNTY GOVERNMENT. THE GOALS OF THE ORGANIZATION ARE TO: IMPROVE COUNTY GOVERNMENTS; SERVE AS THE NATIONAL SPOKESMAN FOR COUNTY GOVERNMENT; ACT AS A LIAISON BETWEEN THE NATION'S COUNTIES AND OTHER LEVELS OF GOVERNMENT; ACHIEVE PUBLIC UNDERSTANDING OF THE ROLE OF COUNTIES IN THE FEDERAL SYSTEM.

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SIMPLY STATED, WE WANT TO BE SURE THAT THERE WILL BE A "PHASE II" AS PROMISED, AND THAT THIS "PHASE II" WILL BRING FEDERAL JOB CREATION TO THE LOCAL LEVEL. WHEN I MEET WITH THE RESIDENTS IN MY COUNTY WHO HAVE BEEN UNEMPLOYED, I NEED TO BE ABLE TO TELL THEM, " I KNOW THAT THERE WILL BE 10, 20, 50 OR 100 JOBS TOMORROW, NEXT WEEK, OR BY JUNE."

I WISH THESE JOBS COULD BE FOUND IN THE PRIVATE SECTOR. EVEN IF THE ECONOMY IS ON THE REBOUND, EMPLOYMENT ALWAYS LAGS BEHIND OTHER ECONOMIC INDICATORS. IT WILL BE SOME TIME BEFORE THE PRIVATE SECTOR CAN GENERATE THE NUMBER OF JOBS NEEDED IN MY COUNTY.

I WISH THAT LOCAL GOVERNMENT HAD THE FUNDS TO PROVIDE JOBS LOCALLY. BUT SEVERAL FORCES HAVE BEEN AT WORK TO REDUCE LOCAL GOVERNMENT RESOURCES TO AN ALL-TIME LOW: (1) MASSIVE CUTS IN FEDERAL AID COMBINED WITH INCREASED FEDERAL MANDATES, (2) HIGHER OPERATING COSTS, (3) NO SLACKENING OFF IN THE DEMAND FOR SERVICES, (4) A REDUCED TAX BASE RESULTING IN CASH FLOW PROBLEMS, (5) CONTINUED HIGH INTEREST RATES FOR GOVERNMENTS TRYING TO BORROW FUNDS, AND (6) A REDUCTION IN THE ATTRACTIVENESS OF LOCAL BONDS.

I WISH THAT TRAINING ALONE WOULD SOLVE THE PROBLEM. BUT TRAINING DOES NOT PUT FOOD ON THE TABLE, OR PAY THE MORTGAGE. AND I DO NOT KNOW ANYONE WITH A CRYSTAL BALL WHO CAN PREDICT WHERE TRAINING NOW WILL GUARANTEE A JOB TOMORROW. FROM ALL I HAVE HEARD ECONOMISTS SAY, WE ARE UNDERGOING A FUNDAMENTAL SHIFT IN OUR ECONOMY. THE STEEL AND AUTO INDUSTRIES WILL COME BACK, BUT THEY WILL NEVER AGAIN PROVIDE THE NUMBER OF JOBS THEY PROVIDED IN THE PAST. WE ARE MOVING TOWARD A MORE TECHNICAL, HIGHLY SKILLED, POST-INDUSTRIAL ECONOMY. THERE ARE GRADUATES FROM COMPUTER SCHOOL WHO DISCOVER THAT THREE MONTHS OF TRAINING IS NO TICKET TO A SECURE FUTURE. TRAINING IS VALUABLE, AND WILL PAY OFF IN THE LONG RUN. BUT WHAT IS NEEDED NOW IS A SHORT-TERM, IMMEDIATE JOBS PROGRAM.

BASIC PRINCIPLES WE ENDORSE

NACo DOES HAVE POLICIES SUPPORTING CERTAIN PRINCIPLES THAT WE BELIEVE SHOULD BE CONTAINED IN ANY JOB CREATION LEGISLATION. SUCH A BILL SHOULD:

- GUARANTEE A QUICK START, USING LOCAL GOVERNMENTS AS SERVICE DELIVERERS WITH EXPERIENCE IN EMPLOYMENT PROGRAMS, A PROVEN TRACK RECORD, AND ACCOUNTABILITY FOR PUBLIC FUNDS;
- LIMIT THE LENGTH OF ENROLLMENT, AND TIE APPROPRIATIONS TO UNEMPLOYMENT TO UNDERSCORE THE TEMPORARY, EMERGENCY NATURE OF THIS MEASURE:
- SUPPLEMENT, RATHER THAN REPLACE, EXISTING EFFORTS UNDER THE JOB TRAINING PARTNERSHIP AND WAGNER-PEYSER ACTS:
- PROVIDE FOR THE EQUITABLE DISTRIBUTION OF FEDERAL FUNDS TO UNITS OF GENERAL LOCAL GOVERNMENT, BASED ON LOCAL NEEDS FACTORS:
- TARGET FUNDS TO COMMUNITIES HARDEST HIT BY UNEMPLOYMENT:
- RESTRICT HIRING TO THE LONG-TERM UNEMPLOYED:
- MAXIMIZE FEDERAL DOLLARS FOR JOB CREATION TO ENSURE THAT, FOR THE DOLLARS SPENT, THE GREATEST NUMBER OF INDIVIDUALS CAN BE HIRED AND THE PREDOMINANT SHARE OF FUNDS GOES FOR WAGES RATHER THAN MATERIALS:
- PAY PEOPLE FOR PRODUCTIVE WORK, NOT ENFORCED IDLENESS:
- PERMIT FLEXIBILITY AT THE LOCAL LEVEL TO TAILOR THE PROGRAM TO THE NEEDS OF THE COMMUNITY, SELECTING FROM A WIDE RANGE OF ALLOWABLE ACTIVITIES; AND
- BALANCE THE NEEDS FOR INFRASTRUCTURE REPAIR WITH THE NEEDS FOR BASIC HUMAN SERVICES.

FUNDING

FOR EACH ONE BILLION APPROPRIATED, WE HAVE HEARD THAT 100,000 OF THE UNEMPLOYED COULD BE PLACED IN ANNUAL JOBS PAYING $10,000 AND THE NATIONAL UNEMPLOYMENT RATE COULD BE REDUCED BY ONE PERCENT. ESTIMATES AS TO HOW MUCH CONGRESS IS WILLING TO APPROPRIATE VARY FROM FOUR TO EIGHT BILLION.

WE ARE CONCERNED THAT $10,000 A YEAR MAY BE LOWER THAN AVERAGE ENTRY LEVEL WAGES IN SOME AREAS OF THE COUNTRY AND WOULD ADVISE THAT THE LIMIT BE INDEXED UPWARD IN SUCH CASES AND THAT LIMITED LOCAL SUPPLEMENTATION BE ALLOWED. WITH CAREFUL TARGETING, NET COSTS TO THE FEDERAL GOVERNMENT SHOULD BE LESS THAN $10,000 PER JOB, SINCE THOSE HIRED WILL CEASE TO DRAW WELFARE OR UNEMPLOYMENT INSURANCE AND WILL PAY TAXES ON THEIR EARNINGS.

LOCAL GOVERNMENTS PARTICIPATED IN JOB CREATION EFFORTS SEVEN YEARS AGO. WE SET A RECORD THEN, HIRING MORE THAN 450,000 UNEMPLOYED IN PUBLIC JOBS BETWEEN MAY 13, 1977 AND MARCH 3, 1978. THE RATE IS IMPRESSIVE. WE COULD DO IT AGAIN, BUT WE WOULD PREFER A MORE GRADUAL BUILD-UP, AND SOME ASSURANCES WITH REGARD TO LIABILITY.

NEW JOB CREATION MUST NOT COME AT THE EXPENSE OF CURRENT COMMITMENTS TO JOB TRAINING. AT A MINIMUM, WE NEED $2.48 BILLION IN FISCAL YEAR 1984 FOR TITLE II-A OF THE JOB TRAINING PARTNERSHIP ACT. OF THE $2.48 BILLION, $1.9 BILLION WOULD GO TO LOCAL AREAS, WHICH IS THE SAME AMOUNT AVAILABLE CURRENTLY. SOME LOCAL AREAS WILL GAIN AND SOME WILL LOSE, EVEN IF THE TOTAL OF $1.9 BILLION REMAINS THE SAME, SINCE THE FORMULA FACTORS HAVE CHANGED AND THERE IS NO SUB-STATE HOLD-HARMLESS PROVISION.

IN ADDITION, IN ORDER TO SUPPORT THE NEW PROGRAM YEAR CONCEPT IN THE JOB TRAINING PARTNERSHIP ACT, NINE MONTHS OF FORWARD FUNDING IS REQUIRED. ASSUMING THAT AT LEAST $5.48 BILLION WILL BE NEEDED FOR TITLES II-A, II-B, AND III FOR TWELVE MONTHS, THEN AN ADDITIONAL $2.61 BILLION IS REQUIRED IN

FORWARD FUNDING. THIS DOES NOT INCLUDE AN INFLATION FACTOR OF 5-10 PERCENT, WHICH SHOULD BE BUILT INTO ANY PROJECTIONS.

JOBS TO BE DONE

NOW I HAVE HIGHLIGHTED THE NEED AND OUR RECOMMENDATIONS ON JOB CREATION AND ON JOB TRAINING, LET ME DESCRIBE OUR PAST EXPERIENCE AND WHAT WE WOULD DO IN MONTGOMERY COUNTY IF WE HAD JOB CREATION FUNDS:

WITH PAST JOB FUNDS, MONTGOMERY COUNTY...

- o STAFFED POSITIONS WITH THE UNITED WAY TO HANDLE SUICIDE PREVENTION HOT LINES,
- o PLACED TEACHER AIDES IN THE CHILD DEVELOPMENT CENTER TO PROVIDE QUALITY DAY CARE FOR WORKING PARENTS,
- o HIRED A DRIVER TO THE SENIOR CITIZEN CENTER TO BRING THE ELDERLY IN TO THE CENTER FOR ACTIVITIES AND TAKE THEM TO MEDICAL APPOINTMENTS,
- o PROVIDED SOCIAL SERVICE TRAINEES FOR THE LEGAL AID SOCIETY, ONE OF WHOM HAS SINCE GONE ON TO RUN A FREE NEIGHBORHOOD LAW CLINIC,
- o HIRED AND TRAINED INDIVIDUALS TO BECOME EMERGENCY MEDICAL TECHNICIANS ASSIGNED TO BOX 21 AND VOLUNTEER RESCUE GROUPS,
- o PROVIDED RECREATIONAL LEADERS AT YOUTH CAMPS AND THE YMCA,
- o HIRED AND TRAINED HOME HEALTH AIDES TO GO INTO THE HOMES OF THE ELDERLY AND SICK AND PROVIDE CARE WHERE HOSPITALIZATION WAS NOT NECESSARY,
- o SET UP A PARK SECURITY PATROL DESIGNED TO PREVENT VANDALISM AND CRIME,
- o FUNDED A NON-PROFIT PROGRAM CALLED "CAN-A-LOT" WHICH

TAUGHT LOW INCOME PEOPLE HOW TO CAN AND PRESERVE THEIR HOME GROWN FRUIT AND VEGETABLES.

WITH PUBLIC WORKS FUNDS SEVEN YEARS AGO...

- o MONTGOMERY COUNTY RENOVATED AND OCCUPIED TWO FLOORS OF THE ELEVEN STOREY RIEBOLD BUILDING. THE MOVE ENABLED US TO IMPROVE THE COORDINATION OF COUNTY SERVICES BY LOCATING ALL THE HUMAN RESOURCE AGENCIES IN ONE PLACE. SINCE THEN, ADDITIONAL FUNDS HAVE BECOME AVAILABLE TO REFURBISH THE REST OF THE BUILDING, WHICH HAS BECOME THE CENTERPIECE OF THE DOWNTOWN REVITALIZATION PROJECT.
- o AT THE SAME TIME, DAYTON USED ITS PUBLIC WORK FUNDS TO CONVERT A DETERIORATING OLD SCHOOL INTO A CAREER ACADEMY WHICH TODAY IS THE CITY'S PRINCIPAL VOCATIONAL SCHOOL.
- o DAYTON ALSO USED PUBLIC WORKS FUNDS TO UPGRADE STREETS, SIDEWALKS, AND LIGHTING IN THE "OREGON DISTRICT," AN AREA LISTED ON THE NATIONAL REGISTRY OF HISTORIC DISTRICTS. THE CITY'S INVESTIMENT SPURRED FURTHER DEVELOPMENT BY PRIVATE INVESTORS. THE AREA HAS BECOME A MAJOR ENTERTAINMENT DISTRICT WITH SHOPS AND RESTAURANTS FOR VISITORS ATTENDING EVENTS AT THE NEARBY CONVENTION CENTER.

IN CLOSING LET ME ADD THAT WE WELCOME ANY OPPORTUNITY TO WORK WITH TASK FORCE MEMBERS FURTHER ON JOB CREATION EFFORTS. WE APPRECIATE THE OPPORTUNITY TO APPEAR AT THIS HEARING. WE LOOK FORWARD TO ANSWERING YOUR QUESTIONS.

Mr. GEPHARDT. Thank you very much for your excellent testimony. I would like to say that Mike Lowry of Washington has joined me as another member of the task force. We are happy to have him here this morning.

Now we would like to welcome Donald Fraser, mayor of Minneapolis. Happy to have you here.

STATEMENT OF HON. DONALD FRASER, MAYOR, MINNEAPOLIS, MINN., ON BEHALF OF THE NATIONAL LEAGUE OF CITIES

Mr. FRASER. Thank you, Mr. Chairman, and members of the committee. I would like to submit my prepared statement for the record.

I will just touch on a few points which we think are important. I am chairman of the Human Development Committee of the National League of Cities, I should add.

We spent a considerable amount of time yesterday at the board meeting of the National League of Cities discussing the problem of unemployment. I hope that my statement this morning will reflect the decisions taken yesterday.

The League believes that there are at least three steps that need to be taken with respect to the unemployment problem. Our most immediate need, and this parallels the testimony you have just heard on behalf of the counties, our first and most immediate need is to put as many people back to work as possible.

We think this requires the enactment of a public service employment program.

The second, for the longer term, we need a national employment strategy or policy which will pull together all of the different Federal policies that impact on employment.

Third, we need a system of employment development that permits integration of the programs administered at the local level to a far greater degree than possible today.

Let me elaborate briefly on these three points. First, on public service employment, we know of no way to get people back to work more rapidly than through a public service employment program.

We have looked at the emergency jobs program that the House voted last week. We think it is a good program. It adds additional Federal funding to some 46 existing Federal programs. While it is a good program, most of the jobs created will be what we call hard jobs. They will be jobs involving mostly skilled people.

The numbers, aggregate numbers of people who may be employed on account of that legislation, I would judge would not exceed 200,000 across the Nation. Nonetheless, the purpose for which the funds would be spent out of that program are all important and useful.

I hope the legislation is cleared by the Senate. But that still leaves most of the 12 million people unemployed in the United States untouched.

This is the reason that we strongly believe that we need a public service employment program. It can be put into place rapidly.

In the resolution adopted yesterday we called for pay levels that would be at the minimum wage or above. We specifically do not think there should be a prevailing wage requirement for this kind

of an emergency jobs program. There should be maximum flexibility at the local level, perhaps even creating short-term jobs, rather than year-round jobs. In that connection, I would like to cite the experience we have had locally in our city.

We have had the benefit of two grants now from the McKnight Foundation to create short-term jobs to put people to work. What was required under that program was that those who wanted to get a job had to be not only out of work, but out of access to any kind of public assistance.

We said that they had to be unemployed for 30 days. We had thousands of calls for the 300 or 400 jobs we were able to create.

Ninety-eight percent of those who were employed had earned less than a $1,000 in the preceding 12 months. Most had been unemployed for most of the year, and most of the workers who were employed turned in a good job performance.

A number were able to get permanent jobs as a result of this foundation-funded temporary jobs program. We have gotten a second grant this year for the same kind of effort. This time the grant is $1¼ million.

We got 4,000 calls for what will be 300 or 400 slots. We are having to turn down all of the rest of the people, and this time we said people must have been out of work 90 days.

We think these kinds of short-term programs that reach the largest possible number of unemployed is the right way to go. So we would like to see the Federal Government provide moneys through a public service employment program with maximum flexibility at the local level.

We believe this is the most effective and immediate way we can put money in the pockets of people now in deep trouble.

On the second point of developing a national employment strategy, and this is really for the longer run, we need to begin to emphasize the importance of employment in the same way that we do capital investment.

We provided accelerated depreciation; we have provided investment tax credits for physical plant and equipment. We think it is time now to begin to address the development of human resources with the same magnitude of concern.

We believe that private industry should be given significant tax benefits for training programs which they already provide, but which we believe could be usefully expanded.

We believe the private sector needs to be more closely tied to the whole educational program systems in our State and local levels in order to make sure that the people who are graduated are prepared to enter the work force.

The third major point, and this is, again, in the longer run, although we need to keep working at it, and that is to try to integrate the tools that we have so that we can work more closely together at the local level with the various programs, and with the public and private sector.

We have some unique efforts underway in our city, bringing the public and private sector together to work on employment programs. We need more flexibility in the various kinds of programs that provide resource transfers, provide training moneys.

In other words, we need to be able to design the most optimum kind of jobs and training program at the local level that we are capable of designing. We should not be constrained by rigidities or regulations that are imposed unnecessarily at the Federal or State level.

Mr. Chairman, I am going to stop with that and would be delighted to answer any questions.

[Testimony resumes on p. 23.]

[The prepared statement of Mr. Fraser follows:]

19-263 O - 83 - 3

Prepared Statement of Mayor Donald Fraser

Mr. Chairman and Members of the Task Force. I am Donald Fraser, Mayor of Minneapolis and chairman of the National League of Cities Human Development Committee. I am here today to testify on behalf of NLC and the 15,000 cities we represent.

I would like to divide my statement into three major parts: (1) the appropriate federal response to the immediate problem of over 12 million unemployed Americans; (2) strategies involving all levels of government, the private sector, and our education system in assuring the long-term growth and competitiveness of the American workforce; and (3) the relationship of employment problems and solutions to other economic policies.

(1) Short Term Response to Unemployment

I believe it is accepted fact that the least expensive and most efficient way to put large numbers of the unemployed to work quickly is to enact a subsidized jobs program. The controversy begins when deciding who should run such a program, the kinds of work to be done, the wages to be paid, who should be hired, for how long, and not least, how such a program should be financed.

Given the magnitude of national unemployment and the vast array of unmet needs that exist in every community, we believe Congress should quickly enact a public service employment program as part of its strategy to address national unemployment. We believe that any legitimate entity which hires people to provide services or produce products should be eligible to apply for funds. Federal, state, and local governments, education agencies, special purpose districts,

community-based organizations, and the private sector, if they can demonstrate that it is a job that would otherwise not be done, should be permitted to apply for funds.

State and local governments have had recent experience administering a federally-funded PSE program. While I cannot speak for the states, local governments have continued to operate jobs programs--at vastly reduced levels--with whatever locally generated resources were at their disposal.

I would like to share my experiences in this regard to answer the questions posed above. Minneapolis and St. Paul, for the past two years, have shared a grant from the McKnight Foundation which we have used for short-term job creation programs.

We are putting our McKnight-funded employees to work in a variety of local government, community-based organization, and private sector enterprises. Given federal cutbacks in funding for social services programs, coupled with the high rate of unemployment and the consequent reduction in local revenues, there are many needs being met that otherwise would remain undone. Our McKnight employees are working in the community development agency, in our parks, and in our public housing projects doing maintenance, repair, and rehabilitation projects. CBO employees are providing day care to working heads of households, in local health care programs, and in community neighborhood centers which provide emergency food, counseling and neighborhood support and other needed human services.

In addition to the subsidized jobs program, we are also experimenting with paying wages for private sector employment. Small businesses are especially in need of such assistance. Targeted tax credits only work when there is sufficient income to pay taxes on which to receive a credit. Many small businesses function on the margin and do not benefit from a tax credit. In order to insure the success of this program, we choose only those employees with whom we have had direct experiences. Subsidized jobs which are carefully developed and monitored provide an opportunity to validate an individual's work habits and job skills which are requirements for private sector entry level hires. We make every attempt to insure that private employers get employees who will meet their needs. We are looking to these businesses to retain their subsidized employees at such time that the economy improves, and to repay up to 70 percent of the subsidized wates.

On the question of wages, we are attempting to maximize the number of jobs available with limited funds. We are paying our McKnight-funded employees slightly above the minimum wage--$4.25 per hour. The issues surrounding displacement of workers and prevailing wage were carefully considered in the development of job opportunities.

What we are concerned about in potential federal legislation is the inclusion of a cap on wages, along with a mandate to pay the prevailing wage. Taken together, these two proscriptions make it difficult to provide adequate work experiences for large numbers of people. We believe Congress

should permit local flexibility in setting wages and determining the kinds of jobs. However, we also believe it is important to insure against substitution. Substitution clearly defeats the purpose of a job creation proposal.

We have targeted our jobs program to those we regard as most in need. Last year, we required our McKnight-funded employees to be unemployed for 30 days and to be ineligible for any publically funded assistance, either unemployment insurance or welfare. This year, we have raised the length of unemployment to three months. In last year's program, the average income of the participants in the preceding year was $1,000. Since AFDC recipients have access to funds that will provide for basic necessities, we have not included them in our program. Nor have we included those unemployed who are eligible for unemployment compensation. Our first priority is the unemployed who have no source of income.

We have also limited an individual's participation in our program to six months. Participation in ongoing job search activities is required of all participants. Failure to participate means dismissals.

The United States has already been known for its generosity, its willingness to share with those less fortunate throughout the world. I can see no reason for those who have an income not to share a small portion of it with those in this country who do not. I am urging the State of Minnesota to raise its income tax by one-half of one percent. A similar levy at the national level has the potential to generate sufficient revenue to fund short-term, minimum wage jobs for more than one million of the 12 million, 12½ percent of the unemployed.

(2) Strategies Ensuring Long-Term Growth

Last year, as chairman of NLC's Human Development Committee, I participated in the development of a policy statement designed to start addressing some of the long-term economic and employment problems facing this country today. We city officials agree with economists who speculate that we may be facing more than a recession, but rather are seeing "a major shift in the operations of the free enterprise system."

I would like to submit the entire statement for the record. In summary, however, the League of Cities believes we need a national employment policy which includes elements for remedial training and education, skill training, relocation and retraining of workers, and a long term investment in our human economic resources. We also believe this country needs to continue developing and nurturing more cooperative working relationships between the public and private sectors. Essentially, our policy calls on the private sector to become more involved in education at all levels and to invest in the development and expansion of a skilled workforce. All levels of government should encourage greater private sector involvement through tax incentives "at least parallel in magnitude" to those offered industry for capital development. All levels of government should foster more appropriate remedial education programs, vocational education programs, and more creative unemployment insurance programs.

Specifically, we believe it is a federal responsibility to provide the framework for developing and maintaining a viable workforce; to recognize the employment impacts of decisions made at the national level; to reassess existing

income support and employment related programs to assure development of a coordinated strategy promoting the long-term employment of individuals willing and able to work; to fund employment and training programs for individuals unprepared to take their place in the world of work; to establish a permanent countercyclical job creation program automatically triggered in times of high unemployment; and to develop a new international economic policy which will not only encourage the development of a full employment economy in the U.S., but encourage economic development and job creation within less developed countries.

(3) Relationship Between Employment and Economic Policies

Now I'd like to offer three propositions that I think we can all agree to.

First, we should relate our analyses of employment problems to our analyses of other economic problems in ways that will help us to disaggregate national data and to focus our attention on real-life situations rather than nationally abstracted aspects of them.

I particularly have in mind the need to integrate our understanding of changes in certain business and industrial sectors and of variations among regional and local economies with our detailed analyses of the types of people who suf[illegible] persistent unemployment. Thus, we know that radical contraction in the steel industry, distress in places like Youngstown, and the phenomenon of "displaced workers" are different aspects of a special situation. Similarly, young blacks are unemployed in concentrations in central cities

where new firms that could make use of cheap labor are no longer sprouting at previous rates. I submit that it makes good sense to develop ways to identify and describe these problems-piled-on-problems situations so that we can target them and develop policies that are appropriate to their complexities rather than to distinctions among programs or budget functions.

Our economy does not consist of national statistics or of supply and demand curves. Our citizens experience the economy in terms of types of jobs, types of businesses, and types of places and we should develop analytic tools that allow us to reflect that experience.

My second proposition is that employment and training programs should be related to economic development and other programs and should be coordinated at the level of local government, where they are actually implemented.

Several years ago we witnessed an experiment with a "negotiated investment strategy." There were efforts at coordination agreements among, variously, DOL, HUD, EDA, and SBA. As I recall, there was even a movement toward adopting a single planning document that would serve as a basis for major HUD and EDA program applications. And there was some federal effort to cross departmental lines in dealing with the problems-piled-on-problems of "auto communities" and "steel communities." These national activities were paralleled at the local level by similarly encouraging attempts to breach artificial barriers in dealing with real economic situations.

I do not argue that these efforts were successful. I only point out that they existed and I urge that we try to build on them instead of forgetting them.

The third proposition is that because there is relatively little that is new under the sun, we can and should learn from the experiences of the past. Instead of ensuring the failure of policies by changing them radically every year (as clearly happened to CETA), we should set reasonable and flexible policy frameworks and then stay the course with them.

From these three propositions, I suggest that federal, state, and local efforts, in localities that are willing and able should build community economic policy capacity and should encourage and support coordinated local implementation of employment, training, and economic development programs. This approach could also relate local economic policy to national economic policy. And by targeting economically slack business sectors, geographic areas, and labor groups, we could add to economic growth without rekindling inflation.

This approach obviously will not come into being overnight. As a beginning, I suggest that:

(1) the Congress provide planning funds to localities that are willing to work toward a community economic policy capacity that could integrate employment, training, and economic development programs;

(2) the Congress direct HUD, EDA, DOL, and SBA to conduct joint explorations of various methods by which the agencies could facilitate or at least not impede local efforts to coordinate their programs;

(3) the Congress encourage localities to develop community economic policy capacity by developing a local economic block grant program for which such localities would be eligible. This economic block grant program might evolve from the loosening and/or elimination of rules that are currently a part of HUD, DOL and other programs currently in existence; and

(4) the Congress provide incentives (in JTPA, UDAG, and EDA programs) to communities that achieve specific goals by coordinating their employment, training, and economic development programs.

NLC stands ready to work with you to develop these ideas further.

Mr. GEPHARDT. Thank you very much for, as usual, excellent testimony.

Our next witness is Arthur Holland, mayor of Trenton, N.J. He will be representing the U.S. Conference of Mayors.

Welcome, mayor.

STATEMENT OF HON. ARTHUR J. HOLLAND, MAYOR OF TRENTON, N.J., ON BEHALF OF THE U.S. CONFERENCE OF MAYORS

Mr. HOLLAND. Thank you, Mr. Chairman, members of the committee. A statement on behalf of the conference has been filed.

I have been asked by the conference in addition to say something about the employment situation in terms of our city. So I have written this very brief and simple statement which I would hope would be the basis for questioning.

The question is a very simple one. Is it better for a person to be on public assistance or on public employment? By public employment, I do not mean workfare. It is not the same.

There is a big difference between working off and earning in dollars, as well as psychologically. Workfare does not lend itself to training. A single person receives, in our community under our State regulations, less than $100 per month and can work that off in 4 days.

Trenton's unemployment rate is now 11.7 percent. I have an open-door policy. More and more people are walking through the mayor's office door looking for work and housing. People who don't want welfare, they want a job, and more and more are saying, and of course, this is an indication they are not very well qualified for anything else, "I will take anything".

I am a private enterpriser. I don't think Government should do anything that people can do for themselves. I also believe, however, that there are times when Government must help. Especially in communities like ours where there are a disproportionate number of disadvantaged.

Our county has 13 municipalities. We are less than one-third of the population. We have 87 percent of the ADC cases, single-parent families. Almost every fourth person, therefore, is ADC in our community.

That is poverty level. You add to that senior citizens who are disproportionately found in communities like ours, and especially in a State where we still rely heavily on real estate revenue, you can appreciate the situation. It is getting tighter and tighter.

So we need jobs legislation which—would be targeted toward individual's needs and also projects or infrastructures, we are saying these days, needs, with an individual assigned to a job for which he is suited.

If not, then the person should be trained. Fortunately, private industry councils are already in place. There has been a lot of criticism of public service employment.

I can tell you, we have no problem with it. There were no abuses. Our city never looked cleaner. When we were trying to get CETA legislation reenacted in 1978, I emphasized you had to distinguish between the charge that CETA jobs were substituting for regular

jobs, and the fact that if it weren't for CETA, work just wouldn't get done.

In other words, we have been laying off regularly. We may be laying off again. We are down to the point where two-thirds of our budget is public safety, which means that services are cut and cut.

Not a question of putting people out of jobs with CETA. It is a question of using CETA to perform much needed services. We have a soup kitchen for the first time since the depression of the thirties.

In fact, I convened a meeting just last week of the Commons Commission. That is our mall, called Nickolet, in Minneapolis, and the soup kitchen management because the soup kitchen is in the central business district. Those who are hungry are coming early and staying late and inhibiting purchasing on the Commons. It is one of the problems that is symptomatic of a central city condition.

Everybody is for feeding the hungry but unless there are business people who can make it, then we wouldn't have the money with which to assist the disadvantaged.

Let me read from our Catholic Diocese publication. Mount Carmel Guild is our relief services agency, Catholic agency. Today the greatest need is the new poor. Those who have always had jobs but now find themselves unemployed and have no idea where to go.

Five years ago the Guild might have had 50 requests for emergency assistance for food each month. Today, at least 150 families or a total of 300 to 500 individuals receive assistance each month, says Sister Estelle. She spoke at our church recently and said that for the first time in the 63-year history of the Guild they are saying no. They are running out.

The rescue mission has asked us, the city, along with TEAM, to put up additional money, not for food, but for security guards so the people they take in, homeless off the street, wouldn't be ripped off by others who might come in.

That is the kind of situation in which we find ourselves. What I say of Trenton, which is an older urban community in the Northeast, I think can be said accurately, substantially, at least, about most of the old central cities. I think that is sufficient to indicate the seriousness of the situation in the Nation's cities in terms of need for employment now.

[The prepared statement of Mr. Holland follows:]

Prepared Statement of Mayor Arthur J. Holland

Members of the House Budget Committee's Task Force on Education and Employment, on behalf of the United States Conference of Mayors, thank-you for this opportunity today to express our very deep concern for the 11 million people that are currently out of work in this country and for the millions more who could eventually lose their jobs as a result of continuing economic fluctuations and dramatically changing labor market needs.

There is no way to overstate the problems related to unemployment. For the individual that can't find work, unemployment poses problems not only for physical survival but for mental well-being. It is horribly demoralizing.

For the nation and for our nation's cities, when so many people are out of work, the impact is nothing short of devastating. The demoralizing effects of unemployment can be felt by an entire city, or even an entire state or nation. Progress has always been based on optimism, on a belief that dedication and hard work will lead to a better life. When millions of people lose hope, that reduces the collective optimism upon which a city, state or nation bases its growth and development.

There are, of course, other more measurable effects of unemployment. The loss in wages reduces tax revenues at all levels of government and makes it very difficult for those governments to maintain their services. Also, those lost wages and the resulting reduction in purchasing power, hurt businesses. This, of course, not only results in additional reductions in tax rev for governments, but it often forces businesses to lay-off workers or go under altogether. The cyclical nature of high unemployment is obvious.

Unemployment insurance provides some relief to the individuals who are unemployed, but, overall, the impact of such insurance is more negative than positive. First, such payments do nothing to address the individual and collective morale problems created by unemployment. In fact, in a society that values work, such payments may actually exacerbate those problems. Second, such payments are intended to allow an individual and his or her family to survive. They rarely are sufficient to allow the recipients to retain any significant purchasing power. Thus, neither governments nor businesses are helped. The cycle, of which unemployment is a part, remains unbroken, although millions of dollars are expended. Additionally, the unemployment insurance systems in increasing numbers of states are on the verge of bankruptcy as outlays far exceed income.

There are other problems that relate directly to unemployment. Unemployed people necessarily place a burden on local government social services at a time when there are insufficient funds to support those services. Also crime and vandalism increase as people seek ways to survive or to vent their frustrations.

Such problems occur during any period of high unemployment. Today those problems are complicated by the fact that the nation is on the verge of a technological upheaval that has not been equaled since the Industrial Revolution. The uncertainty created by unemployment is complicated by the uncertainty created by these basic technological and economic changes. In such times it is vital for the federal government to take steps, along with state and local government as well as the private sector, to alleviate these problems.

The federal government has played a principal role in every major economic or technological transition that this nation has faced. It was the federal government that established land grant colleges to meet the educational needs of a changing labor force. It was the federal, state, and local governments that built the highway and railway systems to meet the demands of an expanding nation. It was the federal government that provided the emergency jobs programs during the Depression to keep people going until the economy regained its strength. Since the Depression the federal government has provided financial assistance packages to help floundering companies and to stimulate the creation of new businesses. And, finally, federally legislated tax incentives have been utilized to stimulate business growth and expansion.

This nation is currently experiencing economic and technological changes that bring hardship on millions of people while simultaneously creating entirely new career opportunities. It is an ironic sign of the times that millions of people are unemployed at the same time that certain skill shortages inhibit economic growth. This irony presents a dramatic challenge to the nation to insure that the transition to the new technology is accomplished with a minimum of damage to those that suddenly find their job skills outdated. The transition must be handled comprehensively, utilizing four basic approaches:

- Meeting the immediate employment needs of those Americans who are out of work and are unable to find it.
- Retraining the American labor force.
- Providing American business with the fiscal help it needs to adjust to the rapid changes that are occurring.
- Repairing and rebuilding the nation's infrastructure.

Meeting Immediate Needs

Jobs -- even federally subsidized jobs -- are preferable to unemployment checks or welfare payments. Substantial job creation programs alleviate unemployment problems and signify a positive step in solving an immediate problem. Further, wage earners pay taxes and have purchasing power. With jobs, the cycle is broken.

Contrary to public opinion, CETA's public service employment program did what it was designed to do. Considering the programmatic and fiscal changes, it worked quite well. The problem of PSE was not inherent in the PSE program but, instead, was the result of the fact that nothing was done to change the underlying economic problems that created the unemployment which brought about the creation of the jobs program in the first place. Certainly, no one wants to make that mistake again. For that reason, the Conference of Mayors hopes that no job creation projects will be implemented unless they are tied in with the remaining three approaches to easing the pain of transition to the new technology.

Even if a jobs creation program is implemented, no one can expect the federal government to put 11 million people back to work. For that reason, unemployment insurance, including the extended benefits program, must be maintained. However, the Conference of Mayors urges the Congress to examine

ways to make the unemployment insurance program do more than maintain people. There are several avenues to explore. For instance, unemployment funds, at least the extended benefits, could be used to secure retraining for dislocated workers. Such funds could also be used to assist employers in hiring new people, as is proposed in Senator Quayle's "Employment Opportunities Act of 1983".

Retraining the Labor Force

Millions of workers are now in jobs or have been laid-off from jobs that will soon disappear. Millions of youths have no skills at all and must be provided with training that is relevant to what will be rather than to what has been. For that reason, all levels of government must assess current education and skill training programs, in light of projected labor market needs, and take the steps necessary to insure that Americans have the skills they will need for tomorrow's jobs. This will require not only an overhaul of curricula but a major investment in training equipment and supplies.

Last year the Congress passed the "Job Training Partnership Act", which includes provisions to train America's poor as well as our youths and to retrain our dislocated workers. The Conference of Mayors urges the Congress to insure the continued funding of programs under this Act. With regard to training for our poor people and youths, at a minimum, funding levels established in FY82 should be maintained. The definition of "current funding levels" should be based on outlays for the fiscal year rather than upon enrollment levels at a specific point in time for that fiscal year. The enrollment level methodology was used to determine funding levels for FY83. As a result, actual funding levels were significantly reduced at a time when the need for training had been drastically increased.

With regard to training programs for youths, the Conference supports the creation of a new youth employment and training program, to be added to the "Job Training Partnership Act". Such a program has been included in Senator Kennedy's "Emergency Jobs, Training, and Family Assistance Act". The Conference also urges a continuation of funding for the summer youth program, at least at the level of spending provided in the summer of 1981. Such level of spending should include the basic appropriation as well as the supplemental funds that were provided.

The Conference also urges additional funding for the dislocated worker program that was created under Title III of the "Job Training Partnership Act." In December the Congress provided $18 million for the program in FY83. However, that amount is insufficient to have any real impact. Apparently, the assumption was that the states would have trouble starting up a new program and, consequently, would not be able to spend large amounts of money. However, the training mechanism is already in place, with the vocational education and the old CETA prime sponsor systems operative. The transition from the prime sponsor system to the delivery system established under the "Job Training Partnership Act" may cause some problems, but the delivery of services will continue uninterrupted. There is no reason to continue the suffering of dislocated workers for another year. The dislocated worker program should be funded at a level sufficient to develop and implement viable retraining efforts.

There is also a need to invest in new equipment and technology to provide training that is relevant to future labor market needs. The vocational education and community college systems need assistance, either through grants or loans, to overhaul their curricula and their training facilities.

Finally, as stated previously, unemployment insurance programs could be modified to provide financial support for retraining programs.

Helping American Business

Many existing industries are in need of retooling. Others are on the verge of extinction and must be completely overhauled or replaced. This will take billions of dollars, to be provided either by the government or by the private sector. It is questionable whether American industry is in a position to make the tremendous changes that are required. Even if they are in such a position, the changes will have to be slow and gradual and the cost will ultimately be passed on to the American consumer. The private sector would have no other choice.

It seems, then, that the best option is for the federal government to provide some sort of fiscal assistance. Several options should be explored, including the following:

- The creation of a reconstruction finance corporation to provide low interest loans and other assistance to companies that need to overhaul their businesses. Such assistance should be limited to those types of operations that have a marketable future.

- The provision of additional funds and technical assistance for the creation of new businesses, with special emphasis on small and minority owned companies.

- The development of fiscal incentives that are sufficiently large to permit expansion of business and the creation of jobs. The Conference of Mayors supports the concept of the enterprise zone as one such incentive.

- The development of a viable, rapid, relisble labor market information system that predicts trends and reflects current situations to the extent necessary to allow planning for the future.

Rebuilding the Infrastructure

Newspapers and magazines have documented the plight of America's cities and the nation's highways and bridges quite well. State and local taxes are insufficient for these governments to solve the problem on their own. Tax limitations have been exacerbated, of course, by the reductions on revenues created by high unemployment. For this reason the federal government should provide assistance to state and local governments to rebuild the infrastructure. It is not only a problem of deteriorating life styles but a serious impediment to business growth and development.

The Conference of Mayors continues its strong support of such programs as the Community Development Block Grant and the Urban Development Action Grant as a

means of rebuilding the infrastructure. We also support the concept of an infrastructure-related job creation bill such as that proposed in Congressman Gus Hawkins' "Community Renewal Employment Act" and in similar bills introduced in both the House and Senate. Such proposals would be a significant supplement to CDBG and UDAG as well as to other proposed public works programs. They would be labor intensive, would permit a rapid start-up and would focus on a broader range of activities than is normally provided in public works projects.

The Conference is not convinced that proposals to add additional funds to existing federal programs will create many new employment opportunities. Instead, they are more likely to extend existing projects and delay lay-offs that would occur if such additional funds were not provided. However, while such additional funds would not likely provide many new jobs, they could be useful if applied to programs designed to maintain, repair or rebuild the nation's infrastructure.

This statement has focused on a number of different programs, all of which could have an impact, either directly or indirectly, upon unemployment. The message in this multi-faceted statement is that, whatever steps are taken to address the problem of unemployment, they must be comprehensive in nature and they must address both immediate and long terms needs. At the heart of our current unemployment situation are serious economic and technological problems that must be addressed if the unemployment problem is to be solved. This will take a considerable amount of money. However, the cost of solving the problems will, in the long run, be much less than the cost of ignoring them.

Mr. GEPHARDT. Thank you all for your testimony. It was excellent. Representative Lowry, do you have questions?

Mr. LOWRY. Thank you, Mr. Chairman. I also want to thank you for excellent testimony. I am going to try and ask questions and not make a speech.

I think so much of what you said is accurate. How do we handle the problem of substitution? We feel that, you know, we just put Federal dollars out there and you just take those dollars and replace them for State and local dollars you have been using.

Mr. HOLLAND. We have six bargaining units, blue- and white-collar workers, supervisors, PBA, FMBA, police superior officers, fire officers. We have settled with the blue- and white-collar workers, AFSCME and with the AFSCME supervisors union at 5 percent.

We can't afford it. But neither can our employees who have not been given raises in recent years in accordance with the rate of inflation. Last year they got 6 percent and the rate was about 12 percent.

Some of those employees are almost at the poverty level as it is. We have said under the New Jersey law there is the Public Employment Relations Commission which provides for compulsory and binding arbitration for policemen and firemen.

We have said to the other bargaining units, if you go before PERC and you get more than 5 percent, it means layoffs. So that would mean fewer policemen, fewer firemen. We have three men on a rig now when you should have ideally five, no fewer than four.

We need a policeman it seems at times on every block. And fewer policemen. So as I said of 1978, it is true today that it is not

a question of substituting in communities like ours. It is a question of providing services which no longer can be provided.

Mr. LOWRY. Commissioner?

Ms. MACILWAINE. I would just like to add something to the mayor's statement. Every community, of course, is different, but I think it is up to local elected officials to negotiate the matter of substitution on their own level with their—with members of the union that they have to deal with.

We are finding in our community that many members of the union would now be eligible, because they have been layed off and have been unemployed for a long time, will be eligible for any kind of public service job program that might come along.

I think they are seeing that it is a question, as he indicated, of not having any services or using public service employees to do the service. I think if the community and the union members were forced to choos. I think they would rather have the job done and try to settle this question of substitution on a local level.

Mr. HOLLAND. May I say there is no guarantee of that. In 1975, when we gave the bargaining units a choice of either taking a raise or layoffs, firemen, in the interest of keeping their members employed, turned down the raise.

PBA voted to lay off some of their members. So this time we are not giving them that choice.

Mr. LOWRY. The substitution I am referring to is taking Federal dollars and using those dollars in jobs that would have been there anyhow. In other words, I do think it is important that we differentiate between PSE and revenue sharing, or another way to provide badly needed revenues to local governments that have been taken away substantially.

It is estimated that the State of Washington will have lost $1 billion between fiscal years 1982 and 1984 due to Federal budget cuts. I know you are really hitting the nail on the head at the extent of the problem.

But there are many people in Congress, as you are well aware, that are really afraid of substitution, where we just take the Federal dollars and replace local dollars with them. For instance, the first $8,500 of the salary for a policeman. Mayor Fraser?

Mr. FRASER. There may not be total agreement on the strategies here. What I would do is put that requirement in the law. Then require the local communities to demonstrate that the way in which they are proceeding will either minimize or prevent displacement or substitution.

Now, if I were given flexibility, I would go further. I would require that the jobs be short term. That tends to discourage substitution.

We had the experience last summer of having some of the workers under our foundation grant available. What we did was, we worked with the union, and the union provided supervisors. Then we hired some of these people who were paid, I think, $4.25 hour. They built new sidewalks around many of our parks.

The union saw this as a chance to put a few more of their people to work as supervisors, work that would not have been there. Then we were able to put these other people out doing work.

Now, normally that would be union work altogether, but the union recognized that if there was no program, they weren't going to get the jobs anyway. I think this goes back to the point Ms. MacIlwaine made.

Let it be worked out locally. We can manage it. Because most of the people have their heads screwed on straight. They don't want substitution or displacement.

Put that requirement in the law and then let us work it out at the local level.

Ms. MACILWAINE. Especially if we have to run for reelection. We are going to work with the unions, not against them.

Mr. FRASER. I think the requirement in the old PSE for prevailing wage, which was one of the efforts to prevent substitution or replacement, was one of the reasons it got phased out, because that made it too expensive a program. Then also there was a cap put on. In our city we count both stay under the cap and meet prevailing wage, so we had to phase it out. It turned out to be a good thing because it was going to be phased out later.

I would hope personally that a prevailing wage requirement would not be put in here because it simply means fewer people are going to get more money and I don't think that is what we need right now.

Mr. LOWRY. You would support minimum wage?

Mr. FRASER. I think it ought to be at a minimum, minimum wage and that is the official position of the League, too.

Mr. LOWRY. Has the national organization taken positions on the level for public service employment called for? Have you in your national positions stated a level in number of jobs or——

Mr. FRASER. The National League has not. I think a $10 billion program would be minimum.

Mr. LOWRY. $10 billion?

Mr. FRASER. $10 billion.

Mr. LOWRY. I like the way you think.

Mr. HOLLAND. Let me tell you what that means in terms of our community. Last year for summer employment, for example, we got $562,000. This was spent over a 2-month period. We paid what would on an annualized basis be $5,200 per year. Poverty level in our State is considered $3,900.

That meant 524 jobs. To make sure people would be confident we weren't using favoritism, we have done this for several years now, we put all the names of those who qualified in a hat and pulled them out on a lottery basis. There were 3,000 applications for 524 jobs. That was last year.

This year, the summer employment program is going to be funded for us at $448,000 which means 407 jobs. If the jobs legislation which the House adopted were adopted by the Senate and signed into law, it still wouldn't bring us up to the level of last year.

So the under $5 billion obviously isn't sufficient. That is why I assume Mr. Fraser called for double that. It seems like a lot. But when you get it down to where it is going to be put into place, it is a very small bit of assistance really.

Mr. LOWRY. I meant my question to be just public service employment jobs. What I would call PSE or public service CETA jobs

from the old categories, as opposed to the public works. Do the county commissioners have a position on number of PSE jobs?

Ms. MACILWAINE. We don't actually have a formal position. I guess our overall position is whatever it will take to get people back to work in our communities where we know there are no private sector jobs to fill the gap.

I think that the whole idea of PSE having such a bad reputation in Congress when all of the data supports just the opposite needs to be changed somehow, or no one is going to accept PSE.

If we can get it across, and I get the feeling you agree with us, that PSE was not created as a training ground for private jobs, it was an effort to get people working and to have them pay taxes, which they don't do under workfare or any other program. I think we have to get that going before we can say how many jobs or, you know, what else needs to be done.

Mr. HOLLAND. Not only public service, but CETA generally has been in disrepute. We found in 1978, that less than one-tenth of 1 percent of CETA funding was abused. But the horror stories were featured.

Mr. LOWRY. As an old county councilman, when I came here I was amazed to find out the attitude of Congress toward these programs. Amazed.

Mr. Chairman, I don't know what your time schedule is.

Mr. GEPHARDT. Go ahead.

Ms. MACILWAINE. The thing that didn't happen, the abused programs were not shut down. If that would have happened, if those who created the abuses would have been defunded in some way and the rest of us that were doing a great job would have been left to continue, this problem would not exist.

Mr. LOWRY. Could each of the three of you just briefly summarize the local tax options you have gone through in the last couple of years as far as your revenue problems, trying to meet your revenue problems? Mayor?

Mr. HOLLAND. In New Jersey we rely still for almost half our revenue on the real estate tax. We are a built-up community. So, therefore, we have had regularly to raise the tax rate. Our tax rate is $12.23 for every $100 of assessed evaluation. That is more than the tax bill in any of the surrounding municipalities.

We depend heavily on Federal and State aid, which has been cut. I agree in theory with the President's New Federalism. Except that the States who are called upon by the President to assume a stronger role are passing on to the local level the cuts they have received from the Federal level.

Developing communities can absorb that cut. We can't. For example, we were anticipating so much money in gross receipts, $1 million of it was held back by the Governor to help meet his budgetary needs.

So we have to go to our ratepayers and what we do is a self-defeating process. We drive out additional self-sufficient or relatively self-sufficient taxpayers, and that poverty index indicated earlier just goes up.

To look to the Federal Government for replacement, if indeed it ultimately gets to that, may seem wrong. Yet, you have to keep in mind that for decades—we celebrated our 300th birthday in 1979—

the cities were the sources of strength for this Nation, cultural, commercial.

When I went into city hall 30 years ago we were paying over 70 percent of the cost of county government—we are down to 11 percent. I was reading the messages of the mayors before and after the turn of the century. One complained about the burden on the city of the county. The cities were the county.

So I think it is legitimate to look at it perhaps at this time as a situation in which we are asking for some help now as we gave without asking very much of the county and State and Nation over the years.

Ms. MACILWAINE. We recently enacted a 90-percent increase in the income tax to make up the difference of the Federal budget cuts plus the increasing number of unemployed who are not going to be paying taxes into the State of Ohio.

This was a very unpopular thing and it is not going to be used for new programs. It is going to strictly maintain the State share of medicaid and ADC and some of the other social programs that have been cut.

Locally in our community we estimated we had $80 million of Federal programs cut last year. We have made up about $1 million of those through a private sector transition fund that is strictly being used for emergency services.

But we have had to initiate 24 new food pantries in our county. We had an article in yesterday's paper that the number of suicides that can be directly attributed to those unemployed who left notes saying that they killed themselves because they could not work and had no job and couldn't find anything, there were several case histories of these in our newspaper yesterday just in our own local community.

Mr. FRASER. In our State in the last few years we have raised our sales tax by 50 percent. It has gone from 4 to 6 percent. It was supposed to be temporary, but the incoming new Governor has proposed that for the time being it become permanent.

We also have a 10-percent surcharge on our income tax. Our State does provide aid to municipal governments. Notwithstanding these tax increases, they have cut those aids significantly because of the shortfall in State revenues.

We have had to reduce our work force by about 10 percent in recent years. Our police and fire departments are at the lowest level in a decade, annually at the very bottom level of manning, now.

So this is very tight. But, you know, the cuts in the Federal programs on the whole have not directly affected operating programs for basic municipal services. There are cuts in health, there are cuts in manpower, cuts in transit. But our fire, police, and street operations are supported by local property taxes, by whatever State aids we get.

So our distress there has come from the decline in the economy causing the States to experience a revenue shortfall. If I could add one last point because you seemed a little surprised at my $10 billion figure.

That is exactly the same figure on a national level that I urged in my state of the city address for our State legislature. Last week

at a press conference attended by the majority leader of our State Senate, and by the president of our Minnesota AFL–CIO, a bill that came close to although not quite, that amount, was introduced into our State legislature.

The $10 billion, I notice, is also the same amount as is provided in Representative Hawkins' legislation. If you look at the AFL–CIO proposal of a week or two ago, you will find in there a $10 billion public service employment component. So the $10 billion is not taken out of the air.

It is what you already have pending before you. It is what the national AFL–CIO has proposed and I have proposed locally for our own State legislature. It still will only touch perhaps one out of six of the unemployed, if that many.

Mr. LOWRY. Thank you.

Mr. HOLLAND. In New Jersey we did increase our sales tax and income tax recently.

Ms. MACILWAINE. Just another point, too. Our uncollected taxes. We collected local real estate taxes last month and we found we have $10 million of uncollected taxes. So it may not have affected basic services yet, but if we don't collect those taxes because people are having to foreclose on their mortgage and can't pay their real estate taxes, eventually that is going to catch up and interfere with local government services.

Mr. HOLLAND. We collected one-half million dollars less in taxes this year and the year before. We are down to about 87 percent, which means foreclosures are up.

Mr. LOWRY. Thank you, Mr. Chairman.

Mr. GEPHARDT. Thank you. I come from St. Louis. I was on the board of aldermen there. I just had a hearing there Friday and had the labor leaders in and the people who were running the old CETA program, or did run the CETA program.

I have a great appreciation and understanding of what you face as local officials. You are on the firing line. You are right there with people in the streets.

I think the general public has little understanding of what you are confronting when you have unemployment levels of the kind you are facing. I have a great deal of admiration for what you do.

The hard, difficult question for us, as I think Mayor Fraser put it in his testimony, is how much and how we do it. We have been, as you know, as you probably read in the paper, going through an exercise in the Democratic Caucus where we have been asking members, all the members of the caucus, to go through the various parts of the budget to see what their basic decisions would be on how much for jobs and how much for defense and how much of a deficit and how much for taxes, et cetera.

It has been a very good exercise for everybody. We hope from that we will come up with a better consensus of what to do.

To give you, however, a picture of the problem we face, if you hold defense at 5 percent—which most people think is about as good as we are going to do even if those who want to cut the rate of increase in defense are successful—and if you restore most of the Reagan cuts in the 1984 budget, which costs you about $16 million, and if you fund a jobs program of, say, $12 billion, you are probably—and my figures are rough and could be off—but I think you

will come up with a deficit that is $5 to $6 million higher than Reagan's.

Reagan's deficit on CBO baseline would be about $176 billion, and with that mixture of policies, you would have a deficit, say, $5 to $6 billion above his, which a lot of members may be willing to tolerate.

If you do more on taxes, that is assuming a $700 cap on the third year of the tax cut, which is the proposal, if you go further and knock out the third year, obviously you can have a more expansive program, or you can have lower deficits. My question to you is, just for the sake of argument, assuming a $12 billion jobs or economic revitalization program, for 1984, what would you do with that money?

I take it from your testimony most of you would like it spent on public service jobs and spent as quickly as possible. But how would you spend that $12 billion if that was your responsibility?

Mr. HOLLAND. First of all, we probably would withdraw our request of our community to adopt our parks. We run approximately 70 parks. Most of those are smaller ones and we can't maintain them anymore. So we have asked different neighborhood organizations to adopt them. I think that is fine, if they would in theory. But it has been our experience that volunteers can't maintain services always. So if the parks should be there and should be maintained, then they probably should be institutionalized in terms of their care. Therefore, we should be able to continue to maintain. We could resume such care with this kind of money. I would be reluctant. I never did use Federal funds for police officers or firefighters.

General revenue sharing, we line-item into fire, but that is just a way of applying it across the entire budget. But I did know they did in some communities use public service and CETA money to hire police officers.

That is why we didn't have the traumatic situation other communities did when those funds were cut off. But just across the board, picking up garbage or sweeping the streets, maintaining the municipal building properly, just a whole range of services which are now not being given as they have been traditionally, I suppose then you do get into replacement.

As I have tried to stress, it is a question not of replacing because the jobs are gone. It is an add-on in terms of enabling a municipality to provide what are normal services.

Mr. GEPHARDT. To put a finer point on it, I take it you are saying that you would want the $12 billion spent on public service jobs.

Mr. HOLLAND. Well, I would like—no, ideally you should train. For example, I got a call recently from a woman who said that she had met a man who she thought really cared for her children as well as herself, and she would like to marry him. He just got out of prison. He was on welfare in Trenton. While in prison he learned something about plumbing. He was to be assigned to a work site, sweeping up leaves or something.

So I called our administration. I said, "Look, let's have this man work with one of our plumbers, and perhaps there will be an opening with the city or another level of government, or in the private sector." So what I am doing to the extent we can, is converting the

workfare program—we have 600 people in Trenton on workfare—into a CETA program. But it is very difficult. So we would try.

There is no question about where the growth industries are. They are in the service side, and they are in computer technology, for example. We used some of our CETA money to train young people in art and photography, and I was criticized for it by one of the local columnists. I said, "What is the difference between having somebody raking leaves and working in art if the goal is to enable this child who couldn't otherwise develop the talent to move into a career and become gainfully employed?"

So I think the potential is almost unlimited in terms of applying the funds so far as jobs are concerned. But we have had no abuse in our city that I know of.

Ms. MACILWAINE. I think the county's position is we would like to see some kind of local balance. There are infrastructure needs and there are things that need to be done in the communities. So there is a need for hard projects, hard money, and also for public service jobs. In some communities the private sector will provide a number of jobs that people can be trained to go into. In some communities there is no private industry. So their only answer for the unemployed is the public service jobs.

I guess our training concerns sort of relate to the President's recommended budget cut for JPTA. Somewhere, that difference has to be made up, whether it is in new legislation or whatever. But we were promised originally a certain funding level, and we are hearing now that the President is recommending a 24-percent cut in JPTA. If that would happen, our community would lose an additional $1.6 million of training money.

So in the $12 billion you are talking about, if the training money doesn't come in somewhere else, it has to come in there because you have to train some of the unskilled people. You have to provide public service jobs for those that have no other alternative. You have to provide money for infrastructure. I think a balance has to be created.

Mr. HOLLAND. May I ask a question? You indicated earlier that if we had a $12 billion program, what would we do with it. Obviously unless there is the elimination of the upcoming tax cut and so on, it would mean either jobs or cut in deficit. Do you take into consideration the income tax that might be paid, however minimally, the purchasing power introduced into the marketplace and reflects in higher taxes? You don't look at that $12 billion as a complete subtraction, do you, from the national picture, income, revenue costwise?

Mr. GEPHARDT. No; there is some feedback. We are figuring that in. If you knock out the third year of the tax cut, you can do quite a bit more because you get $30 billion as opposed to $7 billion from the $700 cap.

Mr. HOLLAND. Let me say on a personal basis I have never thought it made sense to fight inflation or fight deficits by cutting taxes.

Mr. GEPHARDT. Yes, Mr. Fraser.

Mr. FRASER. I should say first that by an overwhelming vote the National League Board voted in favor of rescission of the July 10 percent tax cut scheduled for this July. I would like to add one

other thought to the discussion of how this money might be spent. My view is that the need is to put money in the pockets of people without it being a handout. I think people ought to have meaningful work, or perhaps work and training. Then get the money that enables them to survive.

I think where the problem begins is when we try to make a program like that do too much. It ought to be simple. I personally would favor using the private sector with subsidized jobs. I would favor going to Honeywell or Pillsbury or General Mills and saying, "Here is $4,000, will you take on this person for 6 months, give them meaningful work, supervise them and, if possible, give them some training; and above all else, evaluate them." If they are able to turn in a good performance, then they have something on their résumé and, in fact, then they may be able to stay on there or get work somewhere else.

The second thing I would do is require that the private sector be deeply involved in the planning of the use of these funds. We happen to have a very public minded private sector in our community. I think if we said to them, "We have enough money here for, say, 1,000 jobs, out of a $12 billion program for all public service employment," I think our city would get about 3,000 jobs, just figuring that out. That would be—we have 17,000 people out of work in our city, so that would be one out of six people.

If we went to the private sector and said, "We have got money to subsidize 1,000 6-month jobs. Can you find useful places to put them to work and give them good supervision?" I think the answer would be yes, and that they themselves would find ways to give them training as a part of that work experience.

I think it is a mistake, given the magnitude of the unemployment we have today to just use public or community based agencies as work centers. The private sector is there. They are willing to help. This may help them a little, but it is not going to help them a lot. I think what we are really trying to do is put money in the pockets of people. That is why I think a simple program, simple requirements for me makes the most sense.

If it means helping a Honeywell or a Pillsbury with some extra helpers for a few months, that doesn't trouble me at all. I am more interested in getting money into the pockets of these people until this economy is straightened out.

Mr. HOLLAND. Given everything I have said, I subscribe to everything Mayor Fraser just said. We were very fortunate, for example, when the Carter legislation came down, title VII, in that we had retiring from Trenton State College, the college being a member of the county chamber of commerce, the president, who was also president of the chamber of commerce; and I got the county executive to go with me and say to the private sector, "You tell us whom you want to appoint, and we will form a joint PIC." We were each a prime sponsor.

The president of the chamber of commerce, became the executive director of that PIC. He hired his staff. Even in a capital city like ours we know the jobs are in the private sector. Worked out beautifully. Our PIC was pointed to as a model by the National Alliance of Businessmen. If I had a choice of between putting somebody to work with money coming out of Washington cleaning up that park

and putting somebody to work in the equivalent of Honeywell in Minneapolis, I would say put him in that private sector. Even if at the end of the training he didn't get a job, at least he is on their list. They know about him and they have evaluated him, which is important.

Ms. MACILWAINE. If I could just add one last point. By putting money in their pockets, if we could just reiterate, we will have them be taxpaying citizens that will create additional jobs in the private sector by spinoff of their purchasing power and whatever. So I think that needs to be emphasized.

It may be a costly program but you are taking people off welfare and you are having them pay taxes, which is somewhat of a payback.

Mr. HOLLAND. The chairman of our PIC was the local head of General Motors, so it was a dream situation.

Mr. GEPHARDT. One of the obvious tough issues Mayor Fraser brought up in his testimony is how much you pay for these jobs. It is a difficult problem because, understandably, the public employee unions, and if you work with the private sector the unions there would be concerned about two classes of employees, if you didn't pay prevailing wage.

Mayor Fraser, I noted that in your McKnight employee program you paid a little more than minimum wage. You didn't pay prevailing wage, though. Can I get your views on that? I know that Representative Lowry talked about that to some extent. It is important, because when you are looking at our welfare/unemployment cost, and you are comparing that to the cost of this kind of program, what kind of wage you pay in this program is critical to how many people you are going to deal with and how much money is going to be out there, et cetera. Could you relate to that for a minute?

Mr. FRASER. I think that is a critical issue because I know AFSCME was concerned, and I think may have been the source of the prevailing wage requirement under the old PSE, which helped to put it out of business. That along with the cap, because we couldn't do both. We couldn't both pay the prevailing wage and stay under the cap put into the legislation. For me the two basic protections against substitution or displacement of regular workers, I would make the job short term and impose a requirement in the law that there could not be displacement or substitution and put the burden on the local service delivery area to come up with a plan to prevent it.

Make them show how they are going to prevent it from happening. My guess is given the state of the economy today that the union leadership would be delighted to sit down and work out a program here from which they might get a few more jobs for their members as supervisors. But they would recognize they would be folks on temporary jobs, low pay jobs, and they would know what it is for, a form of work relief, and that some of their members might even be the beneficiaries of that.

I myself don't see a problem. I would put the requirement into law but let the local community work it out. The short-term requirement would be the other way I think you could avoid that problem. Because if they see somebody is only coming in for 6 months, that doesn't tend to worry them so much as if they think,

well, that person is going to be on there 3 years and then becomes a real substitute for a regular paid worker.

Ms. MACILWAINE. I guess the counties have always supported prevailing wage, but because of the problem of people thinking that if it is less than that, that there would be more substitution, you would be more inclined if you could hire people for less money that you would substitute more than if it were the same costs. But to me what we need is just local flexibility of provisions for prevailing wage, or leave it up to the local county or whoever is running the program, the ability to negotiate that on the local level.

Things are changing. Unions all over the country are making concessions. Perhaps what he was saying was the unions would like some of the supervisory jobs and maybe concede on some of the entry level jobs as far as prevailing wage is concerned.

Mr. HOLLAND. If we could be sure that a young person, if we were to lower the minimum wage, would get a job which otherwise wouldn't be available, it would be fine. I know a printer who is a mayor who said that he would hire high school students if he didn't have to pay the minimum wage. But if he does, he is not going to hire them. So it means those youngsters just don't get a chance.

I think on balance, and this is one of the toughest questions facing our society, you have to stay with prevailing wage. If it is a local option, I think that is fine. But you can ultimately get into a situation where you have a youngster competing with his father for a job. I think that is worse than being unemployed.

Also, as a county representative just noted, I think the marketplace is starting to cut into the standards, so far as prevailing wage is concerned, across the board. I know a few years ago in our community when the request was made for an additional holiday, a Martin Luther King holiday, I said fine. But you have to give up a holiday. I don't think Abraham Lincoln would mind. State and county gave an extra holiday; we didn't. So we have a President's day and a Martin Luther King holiday.

There is a growing attitude on the part of management in the public sector and bargaining representatives that it is a new day in terms of reality, needs, and resources. So I think we stay with them.

I think if we stay with the minimum wage the marketplace competition is going to be such that you are going to have an adjustment there.

Mr. FRASER. I wasn't advocating going below the minimum wage. I would not favor that. It is a question of between the minimum wage and prevailing wage. I think if you set those as the parameters and let local government work it out, that is the kind of flexibility that would make the most sense. Then you can adjust to the circumstances.

Mr. GEPHARDT. One last question I have is about training. We had a long session in St. Louis on training. What I got out of it was that everybody knows how to train people. That is not a problem. What to train them for is the problem. They had a number of cases in St. Louis where they did a marvelous job of training people to be screw machine operators in one case, bricklayers in another, welders in another. After they had produced 500 new well-qualified,

competent, enthusiastic, screw machine operators, they found out that there were no jobs for such people. All those people, or virtually all of them, have not been able to get a job.

Part of it obviously is the recession, the fact that the whole economy is in the doldrums. Hopefully if the economy comes out, then jobs will be more readily available. But what came back to me over and over again was the fact that the people there, and some of them have been doing this for a long time, had no way to figure out very well what jobs were going to be available in St. Louis in the near future, in the foreseeable future. All of the people who had dealt with CETA and the city representatives and the people in labor said that one thing they thought the Federal Government might do better than it has done is to be a better provider of information in local areas about what is there, what is likely to be there, and what kinds of businesses would likely need employees in the future.

Do you feel that is a need in your area, or do you think you have that figured out?

Ms. MACILWAINE. I can speak for our area. I don't think we get very good information at all from the Federal Government. If we had to rely on it, we probably wouldn't have any kind of program. Our local chamber does most of our statistical work. We do get some information, but it is usually so far behind what is really going on that it is not that useful.

The concern that I have, and I guess we argued when JPTA was being passed last year that because they have designated 70 percent of the funds to go for training, it is unrealistic to think that all these trained people are going to end up with anything. They have even, I guess the new thing the President is recommending is that intake workers, and counselors and people who actually help people who are unemployed are disallowed in that 70 percent. There is a real issue there of what kind of services can be taken out of the 70 percent training funds. So you know my feeling is we don't get good information, but the jobs are not there anyway, so you need to do more of other things besides the information.

Mr. HOLLAND. We are about to—we are considering and probably will undertake a study which will do precisely what you indicate is the need. James Howe, senior vice president and chief economist of the First National Bank of Boston and chairman of the Council of Northeast Economic Action, is working with some people who are working with municipalities to determine what the needs are. They will not come into a municipality unless the project is funded by the private as well as public sector.

We are going to be, I am favoring it, and I am sure the city council will agree, we will know exactly what the trends are in our community. I think the Department of Labor will help with that. Until recently you couldn't even find out the unemployment rate in your area. So I agree the emphasis has to be on placement. We have to know what the immediate option will be as in computer technology plus what the needs will be if steel starts coming back as all of a sudden it looks like it might, or housing. Whatever the regrowth industries would be.

Mr. FRASER. I would agree about the need for better information. My sense is that we need it both at the national level to discern

long-term economic trends, but also we need to do it at the local level. We have just formed a nonprofit corporation which represents one of our public-private partnerships, which is suppose to do strategic planning in the field of employment. It is structured in such a way that it will not have any manpower providers on the boards, so that they can critique our placement systems, our training systems, our school system. Out of this effort we hope that we are going to get some good information so we know what we should be doing as a community.

Mr. GEPHARDT. How is that funded?

Mr. FRASER. By foundation and private company money.

Mr. GEPHARDT. But none of that is city money?

Mr. FRASER. I am sorry. It is also subsuming the PIC. But the way we give money to the PIC, or have been, is by contract when the PIC undertakes to do a specific piece of work. For example, we did have an outstanding contract, which is still going on, in which the PIC is surveying employers to establish standards that training institutions have to meet for somebody to be considered work ready, or employable.

Well, that then feeds into some of the staff of this new agency because they also do serve as our PIC. So there is a mix of private and public money.

Mr. GEPHARDT. So taking from what you have said and from your testimony, I guess, you think it is a need, but you think it is something that has to be done at the local level, and maybe you would like to see some funding from the Federal Government to help that happen in local communities so that there can be better information and planning and strategizing on how to deal with this whole question of training and retraining?

Mr. FRASER. Yes; because we are going to have to go back to the private sector year after year to support this. In a way, this ought to be part of a national strategy to more carefully aline our policies and programs with respect to employment. So I think if money were provided that would assist us in planning, that would be very helpful.

Mr. GEPHARDT. I want to thank you all for your excellent testimony. I really appreciate you taking the time to be here. Your testimony will be most helpful to us in trying to put together the 1984 budget. Thank you.

Mr. HOLLAND. I want to tell you how refreshing it is to come to Washington and testify before two people, one of whom served at the municipal level and the other at the county level.

Ms. MACILWAINE. See if you can do something about the President's budget cuts on JPTA. It really has us greatly concerned.

Mr. GEPHARDT. I understand and we will.

Our next witness is William Lucy, secretary-treasurer of American Federation of State and County and Municipal Employees. We are happy to have you here today and look forward to your testimony.

STATEMENT OF WILLIAM LUCY, SECRETARY-TREASURER, AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, ACCOMPANIED BY STEVE SILBIGER, ASSOCIATE DIRECTOR FOR LEGISLATION

Mr. LUCY. Thank you, Mr. Chairman.

Mr. GEPHARDT. Welcome.

Mr. LUCY. Thank you, Mr. Chairman. With me is Steve Silbiger of our union. We certainly want to express our appreciation for this opportunity to present our testimony and present our views regarding Federal employment policy. I would like to start by saying President Reagan's policies continue to consist of reduced domestic spending, unprecedented increases in defense spending, sharp supply-side tax reductions for individuals and corporations and strict adherence to restrictive monetary policies.

These policies are both inconsistent, imprudent, and detrimental to economic growth and job creation. We currently face the highest unemployment rates since the Great Depression: Almost 20 million Americans are unable to find full-time jobs—and the employment prospects for the near term appear dismal. Even the Office of Management and Budget forecasts that unemployment will remain above 10 percent throughout 1983.

The human hardship and suffering that unemployment brings is being documented almost daily in newspaper reports across the country. It can be seen at D.C. General Hospital where 5,038 more people resorted to its emergency room and outpatient clinics in 1981 than in 1980. It can be seen at a shelter for battered women in Peoria, where the percentage of women whose husbands were unemployed jumped from 33 to 70 percent after a local brewery closed. There have been increased reports of child abuse and neglect corresponding to increases in unemployment in Wisconsin counties, and the list goes on.

State and local governments have not been spared. In fact, it is ironic that this sector which is supposed to help the unemployed has itself been decimated by President Reagan's fiscal and economic policies. In January, the National Governor's Association reported that current fiscal year revenues for States are expected to be down nearly $8 billion from what was expected at the outset of the fiscal year. Cities and counties are facing similar shortages and budget crunches.

Although the economy is expected to experience a recovery in 1983, State and local governments will continue to falter for several reasons. First, many State and local governments have carried over past budget problems into future fiscal years by accelerating tax payments, postponing spending, and shifting funds. The problems States have deferred will haunt them in the future.

Second, some governments are constrained by tax and revenue limitations that prevent them from taking actions to shore up lagging revenue. Finally, the national economic recovery will be uneven; many of the more distressed States in the industrial Midwest and Pacific Northwest will see recoveries which are both weaker and later in arriving than the national picture would indicate.

President Reagan's policies have only added salt to the wounds of State and local governments. Recently AFSCME, along with the Public Employee Department of the AFL–CIO, released a study entitled "State of the States," which provided a detailed analysis of the State-by-State, program-by-program cuts in Federal aid since President Reagan took office. We found that since 1981, State and local governments have suffered $57 billion in Federal cuts. Such policies have only exacerbated an already grim financial picture in the State and local sector.

The deterioration in State and local governments' fiscal condition is acting as a drag on the economy. Real purchases of goods and services by State and local governments have decreased in each of the past 2 years, falling 0.8 percent in 1981 and 1.1 percent in 1982, while State and local government employment has also declined by 0.9 percent in 1981 and 1.5 percent in 1982.

By contrast, in the 1973–75 recession, State and local government real spending increased by 3.9 percent in 1974 and 2.9 percent in 1975, and State and local employment also rose during this time by 3.4 percent in 1974 and 4.3 percent in 1975 even as GNP dropped. The gains in State and local government activity during the 1973–75 recession aided in reducing the misery of unemployment and helped promote increased economic activity.

We thus find ourselves in a vicious cycle in which the primary deliverers of services to those burdened by the recession are themselves victims of the recession. Federal fiscal policies must lend a helping hand to States in order to alleviate the hardships of unemployment and promote a sustained economic recovery.

AFSCME believes that three actions are needed. First, State and local governments urgently require increases in general revenue sharing to ease fiscal pressures and stave off further cuts in services. Local general revenue sharing has essentially remained frozen since the beginning of fiscal year 1977—but since then the cost of purchasing State and local goods and services has risen by over 50 percent. An adjustment for inflation would give local governments a sorely needed shot in the arm. Reinstitution of the State share of general revenue sharing would bolster the financial picture at the State level.

Second, State and local governments, along with the recipients of public services, would benefit from the creation of public sector jobs. These need not be make-work jobs; there is plenty of important work to be done rebuilding and maintaining the public infrastructure, staffing day care centers, and providing many other vital services. Public service jobs will provide the unemployed with the opportunity to become productive members of society. Thousands of current AFSCME members, particularly women and minorities, gained entry to full-time, gainful employment through the previous public service employment program.

Finally, Congress should act to restore domestic spending cuts in the areas of job training, social services, and health care which provide the unemployed a path to self-sufficiency. We must make a serious commitment to retraining displaced workers and to providing the economically disadvantaged, and especially disadvantaged youth, with useful skills. Since fiscal year 1978, budget outlays for employment and training programs have been cut by over $5.6 bil-

lion or 52 percent—and these sharp reductions are before taking inflation into account.

Accompanying the increase in employment and training must be an expansion of social services to support the efforts of the unemployed and the economically disadvantaged to improve their economic well-being. Also, control of health care costs should not be achieved by cutting services to the poor and unemployed, but through controlling costs of the health care industry including capital expenditures and doctor fees.

I would like to take this time to make some comments on President Reagan's proposals for fiscal year 1984. The President's proposals display little appreciation of the dismal economic situation confronting us. Despite the hardships of unemployment and the poor condition of State and local government, the administration continues to push for the same package of fiscal policies that brought us to these difficult times: Substantial increases in military spending, large reductions in domestic spending, and more supply-side tax policy.

The administration has put forth proposals to provide incentives for employment such as a jobs tax credit for hiring the long-term unemployed, Enterprise Zone tax credits, and a subminimum wage for youth. These proposals have serious flaws, and are grossly inadequate to meet current needs. We believe that the most effective way to improve the long run employment prospects of the unemployed and the economically disadvantaged is to equip them with real skills through training and supportive services—not to give their potential employers further tax breaks or to threaten necessary labor protections.

America also needs programs to reverse the economic decline of our inner cities. The administration's proposal for Enterprise Zones is in our opinion not the answer to these difficulties. The effect of Enterprise Zones would be to simply reduce business taxes further without much impact on employment and rob government of its ability to provide basic services that are required for sustained economic growth.

Rebuilding our Nation's distressed areas requires the direct investment of public funds for bricks and mortar projects, capital for business, education and training programs for local residents, and developing local capacity.

The Reagan administration has pursued cuts in domestic programs and supply-side tax policies because of its view that Government spending is wasteful and unproductive. AFSCME believes that these attacks against Government spending are unfounded. The time has come to cast aside the simplistic notion that all forms of public spending are unproductive. Our private economy requires Government intervention for economic stability and economic growth. Good highways and railroads permit the efficient transport of goods and produce. Good sewers make possible business expansion. Good education and training systems enhance the skills of the work force and advance productivity. Good social services enable the economically disadvantaged to join the ranks of the employed and become productive members of society.

We believe that Congress must take the lead in formulating an effective employment policy and look forward to working with you in this critically important area.

Thank you for this opportunity to testify. Again, Mr. Chairman, I want to express our appreciation for having the opportunity to project our views on this matter.

[Testimony resumes on p. 51.]

[The prepared statement of Mr. Lucy follows:]

PREPARED STATEMENT OF WILLIAM LUCY

My name is William Lucy, and I am Secretary-Treasurer of the American Federation of State, County and Municipal Employees which represents over one million public sector workers throughout the nation. Thank you for the opportunity to testify before the Employment and Training Task Force and to present our views regarding federal employment policy.

President Reagan's policies continue to consist of reduced domestic spending, unprecedented increases in defense spending, sharp supply-side tax reductions for individuals and corporations and strict adherence to restrictive monetary policies. These policies are both inconsistent, imprudent, and detrimental to economic growth and job creation. We currently face the highest unemployment rates since the Great Depresssion: almost 20 million Americans are unable to find full-time jobs - and the employment prospects for the near-term appear dismal. Even the Office of Management and Budget forecasts that unemployment will remain above 10 percent throughout 1983.

The human hardship and suffering that unemployment brings is being documented almost daily in newspaper reports across the country. It can be seen at D.C. General Hospital where 5,038 more people resorted to its emergency room and outpatient clinics in 1981 than in 1980. It can be seen at a shelter for battered women in Peoria, where the percentage of women whose husbands were unemployed jumped from 33 percent to 70 percent after a local brewery closed. There have been increased reports of child abuse and neglect corresponding to increases in unemployment in Wisconsin counties. And the list goes on.

State and local governments have not been spared. In fact, it is ironic that this sector which is supposed to help the unemployed has itself been decimated by President Reagan's fiscal and economic policies. In January, the National Governor's Association reported that current fiscal year revenues for states are expected to be down nearly $8 billion from what was expected at the outset of the fiscal year. Cities and counties are facing similar shortages and budget crunches.

Although the economy is expected to experience a recovery in 1983, state and local governments will continue to falter for several reasons. First, many state and local governments have carried over past budget problems into future fiscal years by accelerating tax payments, postponing spending, and shifting funds. The problems states have deferred will haunt them in the future. Second, some governments are constrained by tax and revenue limitations that prevent them from taking actions to shore up lagging revenue. Finally, the national economic recovery will be uneven; many of the more distressed states in the industrial Midwest and Pacific Northwest will see recoveries which are both weaker and later in arriving than the national picture would indicate.

President Reagan's policies have only added salt to the wounds of state and local governments. Recently AFSCME, along with the Public Employee Department of the AFL-CIO, released a study entitled "State of the States", which provided a detailed analysis of the state-by-state , program-by-program cuts in federal aid since President Reagan took office. We found that since 1981, state and local governments have suffered $57 billion in federal cuts. Such policies have only exacerbated an already grim financial picture in the state and local sector.

The deterioration in state and local governments' fiscal condition is acting as a drag on the economy. Real purchases of goods and services by state and local governments have decreased in each of the past two years, falling 0.8% in 1981 and 1.1% in 1982, while state and local government employment has also declined by 0.9% in 1981 and 1.5 percent in 1982. By contrast, in the 1973-75 recession, state and local government real spending increased by 3.9 percent in 1974 and 2.9 percent in 1975, and state and local employment also rose during this time by 3.4 percent in 1974 and 4.3 percent in 1975 even as GNP dropped. The gains in state and local government activity during the 1973-75 recession aided in reducing the misery of unemployment and helped promote increased economic activity.

We thus find ourselves in a vicious cycle in which the primary deliverers of services to those burdened by the recession are themselves victims of the recession. Federal fiscal policies must lend a helping hand to states in order to alleviate the hardships of unemployment and promote a sustained economic recovery.

AFSCME believes that three actions are needed. First, state and local governments urgently require increases in general revenue sharing to ease fiscal pressures and stave off further cuts in services. Local general revenue sharing has essentially remained frozen since the beginning of Fiscal Year 1977 - but since then the cost of purchasing state and local goods and services has risen by over 50 percent. An adjustment for inflation would give local governments a sorely-needed shot in the arm. Reinstitution of the state share of general revenue sharing would bolster the financial picture at the state level.

Second, state and local governments, along with the recipients of public services, would benefit from the creation of public sector jobs. These need not be make-work jobs; there is plenty of important work to be done rebuilding and maintaining the public infrastructure, staffing day-care centers, and providing many other vital services. Public service jobs will provide the unemployed with the opportunity to become productive members of society. Thousands of current AFSCME members, particularly women and minorities, gained entry to full-time, gainful employment through the previous Public Service Employment program.

Finally, Congress should act to restore domestic spending cuts in the areas of job training, social services and health care which provide the unemployed a path to self-sufficiency. We must make a serious commitment to retraining displaced workers and to providing the economically disadvantaged, and especially disadantaged youth, with useful skills. Since FY 1978, buget outlays for employment and training programs have been cut by over $5.6 billion or 52 percent - and these sharp reductions are before taking inflation into account.

Accompanying the increase in employment and training must be an expansion of social services to support the efforts of the unemployed and the economically disadvantaged to improve their economic well-being. Also, control of health care costs should not be achieved by cutting services to the poor and unemployed, but through controlling costs of the health care industry including capital expenditures and doctor fees.

I would like to take this time to make some comments on President Reagan's proposals for FY 1984. The President's proposals display little appreciation of the dismal economic situation confronting us. Despite the hardships of unemployment and the poor condition of state and local government, the Administration continues to push for the same package of fiscal policies that brought us to these difficult times: substantial increases in military spending, large reductions in domestic spending and more supply-side tax policy.

The Administration has put forth proposals to provide 'incentives' for employment such as a jobs tax credit for hiring the long-term unemployed, enterprise zone tax credits and a subminimum wage for youth. These proposals have serious flaws, and are grossly inadequate to meet current needs. We believe that the most effective way to improve the long-run employment prospects of the unemployed and the economically disadvantaged is to equip them with real skills through training and supportive services - not to give their potential employers further tax breaks or to threaten necessary labor protections.

America also needs programs to reverse the economic decline of our inner cities. The Administration's proposal for Enterprise Zones is not the answer. The effect of Enterprise Zones would be to simply reduce business taxes further without much impact on employment and rob government of its ability to provide basic services that are required for sustained economic growth.

Rebuilding our nation's distressed areas requires the direct investment of public funds for bricks and mortar projects, capital for business, education and training programs for local residents, and developing local capacity.

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We believe that Congress must take the lead in formulating an effective employment policy and look forward to working with you in this critically important area.

Thank you for this opportunity to testify.

Mr. GEPHARDT. Thank you very much for your excellent testimony. Representative Lowry.

Mr. LOWRY. Thank you, Mr. Chairman.

Thank you for the testimony. What would be the total outlay request in 1984 for the different elements you said that we should be doing in 1984?

Mr. LUCY. We have projected, Congressman, an overall program that would total some $25 billion in revenues. It is our anticipation that that expenditure, with the targeted areas that we propose, would increase the employment, directly and indirectly, by some 2.5 million people. We see a real need through infrastructure programs, for development of skills in the health care and health delivery systems. We see any number of jobs in the environmental area that could certainly be productive jobs in terms of the life of the cities, counties, and States, in providing clean air, clean water.

We see a real need to do something in the area of the elderly. There are new needs just by virtue of the elderly living longer. Day care centers, as I spoke of earlier in the testimony, are certainly a fundamental need we have.

Mr. LOWRY. Outlay expenditures of about $25 billion?

Mr. LUCY. About $25 billion.

Mr. LOWRY. That is an estimate of the overall program. What is AFSCME's position on the third year tax cut?

Mr. LUCY. We, as you are aware, Mr. Lowry, believe that the tax program in total was unfair to the broad cross section of American workers. We look at the third year cut as again giving more to the already wealthy at the expense of the average American citizens. Let me say we would, however, certainly take a look at how those funds might be used if they were to be used in a job creation manner if the cut is to go forward. It is our view that the disproportionate inequitable impact makes the third year cut somewhat questionable.

Mr. LOWRY. Would AFSCME support elimination of the third year?

Mr. LUCY. Let me say we would want to look at it although our basic instinct would be to support the elimination of it.

Mr. LOWRY. What level of PSE employment do you think we ought to be working on in this committee for 1984, and what do you think the wage rate should be?

Mr. LUCY. Let me answer the second question first. Naturally, we are very concerned about wage levels that would seriously impact on the levels we have established already. It is our concern that most people view public sector jobs as something that anybody can do, therefore there is a ready supply. We would argue that prevailing rates should exist and that skills required for the jobs are skills that are valuable to the community. We would certainly take a look at any proposals that would come forth with State and local government to establish a rate that would try and supply the largest number of jobs.

In the proposals we have testified before on, and our support for positions taken previously by the AFL-CIO, we believe just a hair over one-half billion jobs would be the target figure. We are concerned that in terms of just looking at the maximum number of jobs, looking at the lowest pay, is not the answer to increasing that

number because we are not talking about leaf raking jobs. We are talking about jobs that actually need doing in cities, counties around the country right now.

Mr. LOWRY. Thank you. One last question, Mr. Chairman. Regarding reinstitution of State revenue sharing, what is the outlay figure for that in 1984? What would that be?

Mr. LUCY. About $2.3 billion.

Mr. LOWRY. Thank you for your very good testimony. Thank you, Mr. Chairman.

Mr. GEPHARDT. My question is on defense. Do you have a position on the increase in defense that you would be for in this budget? Is 5 percent in real terms, or 3 percent? Do you have a position?

Mr. LUCY. Let me say, Mr. Chairman, first we are as an organization, certainly as Americans, concerned about our defense posture totally. We are concerned that the serious focus on defense spending is shifting our concerns from other areas of our society that need attention. Our view is that something between zero and 4 or 5 percent might be looked at. I would prefer certainly on the low end, zero to 3 percent, might more meet our needs.

I am not convinced that we need an MX missile. I am not convinced that the B–1 bomber is as effective as advertised. I think the strength of our Nation is much more rooted in the well-being of our people than it is in new and advanced military technology. Although we recognize that we have got to keep a strong military force, the tremendous increase in defense spending and the larger and growing proportions of the overall budget reflected in the defense spending is a bit, in my opinion, out of proportion to our needs.

Mr. GEPHARDT. To reiterate what you have said so I clearly understand it, I take it you are saying you would like to see us add about $25 billion for jobs?

Mr. LUCY. Yes.

Mr. GEPHARDT. Would all of that be targeted at public service jobs, or just part of it?

Mr. LUCY. No; I think a portion of it could certainly be earmarked for public service jobs. What certainly is necessary is a strengthened private sector, or strengthened private sector economy that could create the expansion that would take up the real excess unemployment we have experienced. We think that a strong public service is necessary just to meet the minimum needs of our cities, counties and States. We don't see the public sector as being the answer to the unemployment problem. But certainly as has been the history in past years, it has solved at least a portion of the problem in times of just unusual economic distress.

The problem we have now, which apparently is going to be with us the rest of 1983, possibly even 1984, is that the economy is either so weak, certainly very erratic, and if recovery comes at all it is not going to be uniform recovery. We will have areas of the country still experiencing serious distress and no program on track to meet those problems. The answer is not moving to the Sun Belt. You are now seeing increased levels of unemployment in that area.

Mr. GEPHARDT. I don't know if you were here when Mayor Fraser was testifying, but he was talking about a program they have had there to try to involve people in private employment. He was talk-

ing about maybe using some moneys to partially subsidize employees in the private sector. Do you have any opinion on that as another way to try to get people back to work?

Mr. LUCY. As I said before, we think certainly that the private sector is the long-term answer. Any place we can get the business community to cooperate with a public sector program should be attempted. I don't know the particular program that Mr. Fraser was speaking of, but I would suspect just knowing his interest and concern in these areas that it would be one that would be beneficial in terms of the city, and certainly would be focused toward relieving just the hardships of unemployment among people in his community.

I don't see that kind of program being the answer to the overall problem, absent some sort of national priority given to a jobs program. I think if left to community by community, the distress they are experiencing right now simply in many cases would not allow the most hard-pressed areas to formulate programs even if business was willing to cooperate.

I would look at a city like Detroit and raise the question, where will you find that sector of the business community that is either able right now to involve themselves. If you look at New York, Philadelphia, Cleveland, where the unemployment problem is difficult but it is a much more severe problem among large segments of the population, the unemployment problems of black youth will not be resolved through, I don't want to call them do good programs, but by limited programs on a community basis. There has to be some national thrusts to get at the deep-seated problems of the structurally unemployed people in those communities.

Mr. GEPHARDT. Do you have any figures for unemployment in your union nationwide?

Mr. LUCY. Our union is not one that you can measure in the same context you do industrial unions or trade unions. We believe that in the public sector in general the work force has been reduced some 300,000 to 350,000 people over about a 22- to 24-month period. From among our membership as a result of this budget crunch, tax limitation problems, we have probably lost about 60,000 members from our union. The impact of that is that you see a serious reduction in not only the level of service but the quality of services in community after community around this country.

In many cases, services that previously existed for free, have to be paid for by assessments or fees. We think that has contributed to reduction of quality of life in those cities and counties and States.

Mr. GEPHARDT. When you say 60,000, how many total members do you have?

Mr. LUCY. Our union has about 1.1 million members. Virtually all in the public service.

Mr. GEPHARDT. Representative Lowry.

Mr. LOWRY. No further questions, Mr. Chairman.

Mr. GEPHARDT. I appreciate very much your taking the time to be here. Your testimony will be very helpful to us in trying to put together the parts of the 1984 budget. Thank you very much.

Our last witness will be Lydia Fischer, economist, research department, with the United Auto Workers.

STATEMENT OF LYDIA FISCHER, ECONOMIST, RESEARCH DEPARTMENT, UNITED AUTO WORKERS, ACCOMPANIED BY DORIS SIEGNER

Ms. FISCHER. Thank you for the opportunity to be here. With me is Doris Siegner, a colleague in my department who has been in charge of our involvement in JPTA.

Mr. Chairman, as you know, the UAW is headquartered in Detroit where one problem this committee is dealing with, dislocated workers, is at its worst. Living in Detroit, you live with the dilemma the committee is addressing. One of them at least. We are talking about training people, and that is fine. But where are the jobs going to come that we are training people for is a problem.

Yesterday, for example, there was an article on the front page of the Detroit paper, with the following story. Last Saturday 1,000 people applied for just six jobs. The line of people was half a mile long by 8 o'clock in the morning. One of the people interviewed by the Detroit Free Press was a 40-year-old millwright laid off from steel. He had been looking for a job, he said, for 1 year already, in the State and outside, with no results.

So here we have somebody among the most skilled in metalworking, and there are no jobs for him either in Michigan or anywhere else.

Let me tell you the extent of the unemployment problem at GM, which is, of course, the largest corporation that we have organized. I am sure you are aware that the company and the union negotiated a lump-sum payment for laid off GM workers at the time of the holidays. There were 167,000 people indefinitely laid off from GM then. In order to be eligible, you had to have exhausted your UC and to be jobless, of course. Incredible as this may seem, fully 87,000 people qualified to collect their $300 bonus.

The extent of joblessness among autoworkers and suppliers goes far beyond those laid off by GM. By BLS's count we have lost 325,000 jobs in auto alone, and across the economy we calculate 1 million auto-related jobs are gone.

The impact on black and minorities has been especially devastating because BLS figures show that they make up 22 percent of the auto work force, while in the work force nationwide they only make up 11 percent.

So when plants in Detroit or St. Louis close down, the black community suffers disproportionately. The same has happened to Hispanics in plant closings in the west coast. We have had plants close there that were one-third Hispanic.

Though there is much talk of recovery now, we see very little evidence of it in the auto industry and certainly in another hard-hit industry, farm implements.

Apart from a modest uptick in auto production there is not much there. The latest domestic sales figures came in some 3 percent lower in February than 1 year ago. Eventually, however, economists say recovery must come.

But it is widely predicted that even then countless thousands of the jobs lost in auto and manufacturing as a whole will not reappear. For one thing, in auto, we know that there have been produc-

tivity improvements all along. From 1980 to 1981, BLS calculates a 4.7-percent improvement in productivity.

From 1981 to 1982 the official figures are still not out; we have computed that units produced fell 12 percent but employment fell 14 percent, this despite a much richer output mix. So we have got the blessing, but the problems also, brought about by technological change.

The UAW has responded to this massive crisis of our members in collective bargaining, in programs for retraining people, in crisis intervention, et cetera. I will be glad to comment on those if you have any questions. But the scope of the dislocation problem is so severe that we can barely begin to meet the needs of our membership through collective bargaining.

Most important is that, of course, we cannot make jobs. So we look to the Federal Government for assistance and action. Unfortunately, the response has been opposite from what was needed. Rather than soften the blow brought about by the crisis, the Government has made it more severe, as shown by the fact that less than half of the unemployed are collecting unemployment benefits, a proportion far lower than in previous recessions.

In terms of dollars, it has been calculated that the increase in Government assistance per unemployed worker plummeted from an average of $392 in the 1970 recession to just $48 in 1982.

Now, one of the 1984 budget proposals of the administration is to spend $204 million for the dislocated worker program under JPTA.

This amount we believe is totally inadequate. Only 96,000 people would be served. This is according to the administration's own figures. Now, we calcuate that the number of displaced workers in any year right now would be, could be as high as 2 million, although here we don't have any official data.

Aside from its small funding, the dislocated worker problem under JPTA, falls short of need in that it does not require a stipend. This will discourage many from enrolling in training; many others will only enroll for a unlimited—shorter—training period.

Experience tells us that short-term training does not lead to enough skill development to warrant good, long-term job opportunities. Furthermore, no services, such as counseling or crisis intervention, are required by JPTA, either. No health care protection or other assistance such as help with home mortgage foreclosures.

Still, we are gratified that there is a dislocated worker section in JPTA because that means there is recognition that the problem exists. But we urge Congress to fund it at a minimum of $1 billion for the next budgetary year, and to provide for funds in the future so we are assured of the continuing existence of the program.

Also, JPTA must require that income maintenance and support services be provided. But we want also to stress that the main problem of the administration's programs to aid dislocated workers is that its only focus is training. What we need is jobs.

First, we need to insure economic recovery. That will take a massive effort in terms of job creation. We hope that the $4.9 billion passed by the House, if enacted, becomes only the first installment of a much more ambitious package.

Second, we need a trade policy which takes into account the impact on our economy of the trade policies of other nations.

Third, we need a coherent employment oriented industrial policy that encourages development of high tech industries while preserving and strengthening our basic manufacturing sector.

Thank you very much.

[Testimony resumes on p. 63.]

[The prepared statement of Ms. Fischer follows:]

PREPARED STATEMENT OF LYDIA FISCHER

Thank you for this opportunity to present the UAW's views on the Administration's training and employment proposals especially as they affect dislocated workers, and the alternatives to those proposals which we would recommend.

Although there is widespread talk of economic recovery, we in the UAW see relatively little tangible evidence of it, apart from a welcome modest uptick in auto production, and far more evidence of continued hard times. In 1982, only 7.2 million cars and trucks were produced in the United States, down 44 percent from 1978, the industry's last healthy year. The impact on employment has been predictably traumatic. In 1978, the motor vehicle and equipment industry employed 1,005,000 blue- and white-collar American workers. In 1982, the figure was 680,000, a decline of 32 percent. In addition to the 325,000 auto workers who lost their jobs, an estimated 750,000 supplier sector workers lost theirs, resulting in a loss to the economy as a result of the auto crisis of over one million manufacturing jobs.

In other industries, the picture has been equally bleak, with more than three million manufacturing jobs having disappeared since mid-1979, a loss of one job in seven. It is widely predicted that even when economic recovery comes, as it eventually must, countless thousands of those lost manufacturing jobs will not reappear.

Unemployment is at or near a record post-Depression level for nearly every major group. Among black workers, it is a shocking 20.8 percent, the highest level since this figure was first collected. Among Hispanic workers, unemployment is

15.5 percent, highest since this data series began. Since blacks and other minorities make up some 22 percent of the workforce in the auto industry, versus 11 percent of the workforce nationwide, it is clear that the impact of the auto crisis on minority workers has been especially severe.

Not only are more people out of work, but they are out of work longer. Average duration of unemployment has increased to almost five months. Nearly one unemployed person in four has been without work six months or longer, twice the proportion of one year ago.

In a number of our states and cities, particularly in the nation's industrial belt, unemployment is quite literally at depression levels. In Michigan, unemployment in February was 16.5 percent, including (in December) 22 percent in the hard-pressed city of Flint, and 17.7 percent in metropolitan Detroit. Unemployment in the nearby states of Ohio and Pennsylvania in January was 14.9 percent, in Illinois it was 13.5 percent, and in Indiana, 12.9 percent. In the case of Michigan, our unemployment rate has been in double digits since January 1980.

Including families of the unemployed, roughly 16 million Americans have lost their medical insurance as a result of unemployment. It is no accident, though it is shocking and unnecessary, that in Michigan infant mortality is on the rise. In parts of Detroit, the rate of infant mortality is as high as in Honduras. Nationwide, more homeowners were behind in mortgage payments or were in the process of losing their homes through foreclosure in the final quarter of 1982, than in any period in the previous 30 years. In the midwestern states of Illinois, Indiana, Michigan, Ohio and Wisconsin, the foreclosure rate is more than three-quarters higher than the record rate prevailing throughout the nation.

At a time of unprecedented need, the unemployed have been among the front-line victims of the Administration's budget cuts. Federally funded public jobs programs have been virtually eliminated at the worst possible time, while the protections

afforded under the unemployment compensation program have been seriously cut. In 1982, only 44 percent of the nation's unemployed received any benefits under that program. In contrast, the ratio of benefit recipients to the total number of unemployed averaged 60 percent during the seven previous post-World War II recessions, and reached 71 percent during the severe 1974-75 downturn. In 1982, more than half a million in Michigan, Ohio, Illinois, Indiana and Pennsylvania exhausted their federal-state extended UI benefits, and 170,000 workers in Ohio, Michigan, Illinois and Indiana exhausted their Federal Supplemental Compensation (FSC) benefits.

Instead of filling this gap, the level of <u>other</u> transfer payments to the long-term unemployed has also been seriously slashed. According to a recent study by researchers at Goldman-Sachs (hardly a "front group" for the unemployed), transfer payments available to jobless Americans (excluding Social Security and unemployment benefits) declined during the current recession, in marked contrast to increases during earlier recessions. The drop in transfer payments averaged $35 per month (1972 dollars) for each newly unemployed worker; during the 1970 recession, transfer payments <u>increased</u> by an average of $308 per month (1972 dollars) for each newly unemployed worker. Little wonder that we are witnessing soup lines, tent cities, and in the ultimate irony and national embarrassment, "reverse care packages" are being sent from overseas to the hard-pressed unemployed of Detroit.

<u>Special Needs of Dislocated Workers</u>

The ranks of the unemployed who have been permanently displaced from auto and other basic industries have swelled to enormous proportions. Particularly in cases where their plant has closed, such individuals are often long-service workers, with specific skills that are of limited applicability outside their former industry. They typically are prevented from moving by family responsibilities, and by inability to sell their homes -- which often represent their entire life savings -- due to depressed local housing market conditions. The needs of such workers for comprehensive labor market and other public assistance have become increasingly acute.

One supposedly major element of the Administration's employment and training proposals is to expand in the next fiscal year, assistance to the unemployed who have been permanently displaced from their jobs.

As part of the proposed 1984 budget package, the President would spend $204 million for the displaced worker program that has been established under the Job Training Partnership Act. The Administration compares this with the $25 million Congress appropriated to start this new program in 1983, and uses the apparent eightfold expansion as evidence of its responsiveness to the plight of the permanently unemployed.

This comparison, however, is misleading. The $25 million appropriated for this year was considered by Congress as "seed" money, since the JTPA did not require the new program to be established until fiscal 1984. Funding for 1983 was never regarded as an adequate level. In fact, months before the President made his budget proposal, many congressional leaders made the modest proposal that funding in the first full legislated year of the program be set between $250 million and $1 billion.

Equally misleading is what the Administration is not saying about its spending proposals for other employment and training programs. The President has proposed reducing training programs for the economically disadvantaged and youth by $190 million (down to $1.85 billion), cutting the summer youth employment program by 2 percent, abolishing the community service program for the elderly, and abolishing the work incentive program for public assistance recipients. Spending for all employment and training activities combined would decline by 8% from the current fiscal year to $4.7 billion. This is less than half the amount that was spent on employment and training in FY1980 when unemployment was less than two-thirds of what it is now.

Even with an increase in spending for the dislocated worker program in the next fiscal year, that program will fall far short of meeting existing needs. According to Administration estimates, their proposal will provide assistance to approximately 96,000 dislocated workers. Although no data are presently tabulated, it

can be conservatively estimated that at least 2 million workers a year fall into the "displaced worker" category.[1]

Moreover, the present structure of the dislocated worker program has serious limitations. Supportive services, stipends, allowances and administrative costs are held to 30 percent of the federal funds available to the states. Even though this limitation does not apply to any state match, at best, the availability and size of stipends and allowances will be only minimal, preventing many workers from participating in training programs because they will lack the financial resources to support themselves and their families while in training. Limited stipends and allowances also will move the programs toward short-term training, which past experience has shown often fails to result in skill development that leads to good long-term job opportunities. Furthermore, making supportive services compete for a small pool of potential funding is especially short-sighted. Often the availability of crisis intervention and counseling services, such as family and credit counseling, are a pre-condition for success of training or other forms of assistance, as are health care protection, life insurance coverage, and mortgage assistance. Compounding this limitation, the law does not require that any of these services and protections be provided.

Among the things which are needed if a comprehensive displaced worker employment and training program is to be successful are the following:

o Notice. When a plant upon which a community's economic lifeblood depends is about to close, adequate lead time is essential if appropriate programs to assist affected workers are to be successfully developed and implemented. Yet virtually alone among the major industrialized countries, the U.S. does not require advance notice of major plant shutdowns.

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1. Estimate based on work by Professors Barry Bluestone and Bennett Harrison in which they found that 15 million U.S. workers became victims of plant shutdowns between 1969 and 1976 -- an average of 2.1 million per year. Given the magnitude of the economic crisis and the severity of its impact on basic industries such as

o Flexibility. Current employment and training programs tend to be rigidly spelled out and limited in scope. Instead of molding the program to the needs of the unemployed or those about to be displaced by technological changes, too often just the reverse happens. Worse yet, just when additional measures are needed to cope with a massive local dislocation crisis, adequate funding may not be available due to inability to raise matching funds locally, or because of predetermined rigid funding ceilings set without regard to current needs. Instead, a far greater measure of flexibility is needed to tailor programs to the specific needs of the unemployed.

o Crisis Intervention. Unemployment is often a profoundly traumatic experience, particularly for displaced workers whose identity is closely bound up in careers to which they have devoted a lifetime of service. Often in such cases the availability of coordinated crisis intervention and counseling services, such as family and credit counseling, are a pre-condition for success of other forms of assistance.

o Targeted Employment Creation. Often displaced workers are trapped in aging industrial communities which have undergone massive erosion of their economic base. Relocation to other areas may be a solution for a small minority of the most mobile and most highly skilled workers, but that only compounds the problems of the community they leave beind. Such communiies vitally need assistance to build a new economic base on the solid foundation of an emerging growth industry. No amount of training or job search assistance will solve such a community's economic problems if alternative employment is not created.

o Adequate stipends for those enrolled in training programs are necessary; without them, many workers would lack the financial resources to support themselves and their families while they are in training. Health care insurance should also be provided.

(cont.)
auto and steel, the updated figure would undoubtedly be far larger.

- All programs should be 100 percent federally funded. To require any amount of matching state funds can preclude assistance to many economically distressed areas, often at the worst possible time, particularly in cases when an area is heavily dependent on a single distressed industry or employer.

- A jobs program. -- the modern equivalent of the WPA, CCC, etc., to create at least 3 million jobs -- is needed now. The emergency $4.9 billion plan just approved by the House is acceptable only if viewed as the first installment of a comprehensive package to increase employment and put us firmly on an expansionary path.

The focus of the Administration's program to aid dislocated workers is training. However, in an economy with depression level unemployment, the real issue is employment growth. Training programs alone cannot solve our economic problems. They would be an important element of a comprehensive labor market policy which has as its objective economic growth and full employment. Without such a national commitment, however, graduates of training programs will have little reason to feel sure that they will find jobs.

Thank you for this opportunity to present the UAW's views.

Mr. GEPHARDT. Thank you for excellent testimony, both written and what you presented here this morning. Representative Lowry.

Mr. LOWRY. Thank you, Mr. Chairman.

For retrained workers in old industries to go to new opportunities of employment, will there really be the opportunities for employment in the private sector? Are we kidding ourselves when we talk about being able to find economic activities in the private sector for a significantly large number of people? Is it in the private sector, or do we have to have a different attitude toward public service?

Ms. FISCHER. No. Obviously, the public sector would absorb some of the people, too, but we are thinking, and this is what my third point at the end was of an industrial policy. We think that we have to strengthen our basic manufacturing so that those people eventually will get a job back. They may not get a job back in auto, but they may get a job somewhere else in industry.

So we are not only thinking of becoming a service economy, so to speak. Right now there are no jobs, no question about it. It's been mentioned several times since I have been here. We do believe that there is room for—not room, but need—for training. But what we are seeing is that training is the only thing that is being done, and that is not nearly enough.

Mr. LOWRY. You know, there is only a certain amount of computers; Atari is moving out of the country.

Ms. FISCHER. Right.

Mr. LOWRY. With this collapsing of the world economy where are they going to sell their products? We are going to increase our imports and our exports.

In the private sector, are there enough potential jobs in the private economy for retraining steel, auto, and other workers where there is overcapacity at this time?

Ms. FISCHER. I think the question then becomes, are we going to, you know, continue to strive toward full employment. I think we have to. I think the question of the world economy has to be addressed. I think there, what you are pointing out is the need for other economies to rebound along with ours, because there is just so much interdependence. But also the fact that, as somebody mentioned before, we need a national strategy, a national manpower strategy.

We will have to look at the jobs and say, are we expecting people to work too many hours? We are seeing technological advancement, as I mentioned, in our own industry that is going to continue, and that is good. But the question then becomes, who are going to be the people holding the jobs? I think one of the things we will have to look at is the reduction in the work week.

Mr. LOWRY. Not to extend this philosophical discussion too far, but are we concentrating too much on the fact that the jobs have to be there in the private sector? Are we being absolutely unrealistic, playing to what people want to hear, making believe that some way the private economy out there is going to provide the jobs when we can't even really name the products that are going to be utilized within that private sector that would provide the future number of jobs? Should we be addressing more the other needs in

society, of education, of no approach at all to crime, of things that really fall more into the public domain?

Ms. FISCHER. I am all for—we in the UAW are all for a more activist Government. That means that there is going to be more people working for the Government. I think also that this means that the functions the Government is taking upon itself to provide right now, have to be expanded. For example, we don't see anything wrong with, in fact we would welcome the Government taking a bigger role in energy.

Now, that is going to take people. And also some of the examples that you have given, of course. That is going to take people. We have nothing against the Federal Government providing the jobs.

I think that what I want to say is that we are not only looking at service jobs here. When I talk about energy, these are jobs that are much closer to the jobs you see in manufacturing, than the jobs you see in community development type of services.

Mr. LOWRY. Just one other area that I know you mentioned, health care insurance for the unemployed. Do you have a plan of how we would really make that work? How do we take care of the health care insurance for people who are losing their independence because they are no longer covered by the company policy?

Ms. FISCHER. I know that there are some proposals around, some initiatives. One of them would be for the Federal Government to give block grants to the States so that they would use them to provide health care insurance. There, of course is never going to be enough money to take care of the 12 million unemployed, but at least we could set some priorities. We could have pregnant women and young children be the first beneficiaries, first in line for this health care. So I think it could be done.

It seems that it is much more difficult to get Congress to vote those funds than it would be to deliver the funds to the people who need them. Although I recognize there is the eligibility problem, et cetera. There are problems. But we think that grants would be one way to funnel funds, allocating them to States according to the unemployment rate.

Mr. LOWRY. Can you expand upon what you think our international trade policy should be? Your third point.

Ms. FISCHER. Well, as you know, we are supporting and we have thrown all the resources of our union behind the Local Content Act which is now H.R. 1234. We believe that that is what is necessary right now to stop the deterioration in auto and to really give an opportunity for the industry to get back on its feet.

Also, to bring more investment here that we need, and jobs that we need, while preserving th[illegible]ptions for the consumer. We see H.R. 1234 as an investment bill [illegible]here we would give a very strong incentive to the Japanese companies, because it's them that we are talking about, of course, to come and invest here and provide jobs while they service this market.

Mr. LOWRY. As far as all world trade in addition to automobiles, how much of the markets in the United States and how much of the markets outside the United States?

Ms. FISCHER. In terms of auto?

Mr. LOWRY. In terms of all products.

Ms. FISCHER. Frankly, I don't know that figure offhand. But we are a big market in a lot of areas. In most of them.

Mr. LOWRY. If we ' st use consumption, which I don't think, I can't imagine that, .e consume a third of the products, which means two-thirds are outside of the country. There isn't a real danger—frankly I don't want to go on on this—isn't there a real danger of reciprocal action by other nations to things like the domestic content bill that are going to be devastating?

Ms. FISCHER. Well, no, because, all other nations which have an auto industry have some kind of protection of their industry. So if we say the Japanese would retaliate, then where would they go? Where would they go to buy the products that they need from us? Where would they find a country that does not have some kind of restrictions—if you want to call them that—as we would like to impose here?

We are very concerned about that. After all, we not only represent workers in industries affected by imports, but we represent many workers in industries which depend very much on exports.

So we have looked at that very carefully and we just don't see any danger really of that happening because of the special situation that the auto industry has in other countries, the special measures that have been put in place to protect the auto industry in other countries.

Mr. LOWRY. I don't agree on that. But I agree with you on other portions. We can argue on that a long time. I have spent a lot of time talking with exrepresentatives of your market on the reciprocal danger on other countries reacting. China reacted in 1 day to our textile imports—in 1 day.

We have a $3 billion surplus, exports to China. In one day they were moving to shut those down. It can go a long ways. But thank you for your excellent testimony on many areas of what we should be doing.

Mr. GEPHARDT. I would like to ask about the voluntary agreement that now has been signed on for the third year on autos, with the Japanese.

Ms. FISCHER. Yes.

Mr. GEPHARDT. Was your union, to your knowledge, consulted about the third year by any of our trade officials before the third year was agreed to by the Japanese? Were there any discussions that you are aware of with officials of your union with the trade office, or anybody else?

Ms. FISCHER. Well, I know that President Fraser was in discussions at the White House and basically made the point of how much we need the legislation that we are supporting. I just really couldn't go beyond that. I basically do not know. When the restrictions were put in place the first time, our reaction was that this is not what we want. This falls short of what we need, but it certainly is a modest step in the right direction.

Of course, it didn't even turn out to be that, because the market went through the floor, and the Japanese imports ended up taking more, a greater share of the market than in the previous year.

Mr. GEPHARDT. But you don't have any specific knowledge of whether the trade representative's office had conversations with officials of your union before the third year was agreed to?

Ms. FISCHER. No; I just couldn't comment on that.

Mr. GEPHARDT. Let me ask about this retraining problem. From your figures, you have thousands of people in Ohio, Michigan, Illinois, Indiana, and Missouri, I might add.

Ms. FISCHER. Right.

Mr. GEPHARDT. Although we are in better shape than those States.

Ms. FISCHER. Yes; your unemployment rate is lower.

Mr. GEPHARDT. Our three major plants are still open, which is unusual, but you have thousands of workers who are now beginning to exhaust these benefits. What do you think is going to happen to these people? Will they leave the area? Are they going to go on welfare? What are they likely to do if they are not called back to work? I take it the projection now is that a lot of them wouldn't be called back to work.

Ms. FISCHER. That is right. Well, you know, that is a real puzzle, of course. We know a lot have left, but most of them went to Texas. Of course, the situation there has gone very sour. There are no jobs there either, so they are coming back. A lot of them are coming back to Michigan.

Not that they hope to—I don't know how much they hope to find jobs, but they couldn't find any jobs back there. The support systems were not there either. So I think some people, of course, have gone on welfare. Many people, I suspect, families and single people. We have a lot of people on welfare with very minimal welfare assistance.

Mr. GEPHARDT. Do you have any figures on how many people are now still on unemployment benefits and how many people are on welfare and how many of your members have left the area? Do you have any statistics like that?

Ms. FISCHER. We don't have anything, you know, that pertains only to our union. However, Ms. Siegner is telling me that we could supply you with figures for States where most of the impact has come from autoworkers. We would be glad to provide that to you.

Mr. GEPHARDT. That would be good.

Ms. FISCHER. We don't have it right now.

[The information referred to above follows:]

ASSISTANCE TO LAID-OFF UAW WORKERS IN MICHIGAN AND OHIO

More than two-fifths of the UAW's membership resides in Michigan and Ohio. Unemployment in both States has been of unprecedented duration and depth, affecting more people and lasting longer than any other downturn since the Depression. The economic downturn has lasted so long that hundreds of thousands of the unemployed have been unable to find work and have exhausted their unemployment compensation benefits. In 1982, 135,000 workers in Michigan and 121,000 workers in Ohio exhausted their Federal-State extended UI benefits, and 116,000 workers in both States exhausted their Federal supplemental compensation benefits.

Public assistance caseloads have risen dramatically since the onset of the recession, primarily because more and more Michigan and Ohio residents have joined the "new poor" as they have exhausted their unemployment benefits and savings. The number of Michigan residents receiving direct public assistance payments has grown nearly 40 percent since 1979. A total of 1 million Michigan residents received money assistance during 1982 in any given month—nearly 12 percent of the State's population. Although at this time we do not have the corresponding detail for Ohio, the experience in Ohio undoubtedly has been similar to that in Michigan.

In Michigan the number of AFDC-U recipients, or those eligible for assistance because the parent's unemployment has deprived the children (or child) in the family of parental support or care, has risen dramatically over the last 3 years—from about 95,000 recipients monthly in 1980 to 169,000 a month in 1982. In Ohio, monthly recipients have risen from 94,000 to 121,000. However, thousands of families who would have been eligible for and received AFDC-U benefits prior to the more restrictive Federal eligibility requirements which took effect October 1, 1982, have been forced to turn to emergency services until they have used up their assets down to the poverty level.

General assistance (GA), a State program providing cash assistance and medical coverage primarily to low income, single adults, and childless couples, also is sensitive to increases in unemployment. The number of GA recipients in Michigan increased dramatically from 1980 to 1981, from an average of 86,000 per month to 118,000 per month. Despite eligibility cutbacks, which eliminated thousands from GA and which barred thousands more from qualifying for benefits, the number of GA recipients went up again in 1982 to an average of 123,000 recipients monthly. In Ohio, monthly general relief recipients rose from 69,000 in 1980 to 88,000 in 1981 and to 190,000 in 1982. These sharp rises reflect the persistence of high unemployment in both States.

Mr. GEPHARDT. The last thing is, in a hearing I had in St. Louis last Friday, we found that under the unemployment compensation law in Missouri, unemployed autoworkers could not go to retraining school at the junior colleges while unemployed, because one of the requirements in Missouri is that in order to get the compensation you have to be ready to take any available job, and you have to go through a drill with the unemployment office.

Ms. FISCHER. I see.

Mr. GEPHARDT. So that we could not have these people go to retraining during the period they are on unemployment compensation. Is that the case, to your knowledge, in most of the States where you have high unemployment?

Ms. FISCHER. Yes, apparently that is true in many States. Again, we don't have the list and we will be happy to provide that to you, too. Michigan is not one of them.

Mr. GEPHARDT. Would you do that, give us the list and what the laws are in those States?

Ms. FISCHER. Sure.

Mr. GEPHARDT. We would appreciate that.

[The information referred to above follows:]

INTER-OFFICE COMMUNICATION,
March 10, 1983.

TRAINING AND UI BENEFITS

This is in response to your request for a list of the states where unemployed workers are ineligible for UI if they participate in a training program.

The most comprehensive comparison of state unemployment insurance is put out by the Department of Labor. Attached are the excerpts pertaining to training. As the material indicates, the Federal Unemployment Tax Act (FUTA) requires that all states provide compensation to eligible beneficiaries for any week during which she/he is attending a training course approved by the state UI agency. However, the federal law does not provide criteria for the states to use in evaluating training programs. Some states have identified the standards to be used, but many do not specify criteria for approval. According to The Department of Labor, approved training generally is limited to vocational or basic education training. Without a thorough search of each state's laws and the applications of such laws to training programs, it would be impossible to compile a list of the types of training programs that are approved and disapproved in each state.

Please let me know if you have any questions.

U.S. DEPARTMENT OF LABOR, EMPLOYMENT
AND TRAINING ADMINISTRATION,
UNEMPLOYMENT INSURANCE SERVICE,
Washington, D.C., January 2, 1983.

COMPARISON OF STATE UNEMPLOYMENT INSURANCE LAWS

COMPARISON REVISION NUMBER 2

TO UI COMPARISON USERS: This transmittal begins a series of semiannual revisions reflecting changes in State unemployment insurance laws that became effective since publication of the January 1982 *Comparison* in its new format.

Revised pages are indicated by Revised January 1983. Pages issued for backup purpose only will be identified with the new date.

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420 AVAILABILITY DURING TRAINING

Special provisions relating to the availability of trainees and to the unavailability of students are included in many State laws. The student provisions are discussed in section 450.02.

The FUTA requires, as a condition for employers in a State to receive normal tax credit, that all State laws provide that compensation shall not be denied to an otherwise eligible individual for any week during which he is attending a training course with the approval of the State agency. Also, all State laws must provide that trade allowances not be denied to an otherwise eligible individual for any week during which he is in training approved under the Trade Act of 1974, because of leaving unsuitable employment to enter such training. In addition, the State law must provide that individuals in training not be held ineligible or disqualified for being unavailable for work, for failing to make an active search for work, or for failing to accept an offer of, or for refusal of, suitable work.

Prior to the enactment of the Federal law, more than half the States had provisions in their laws for the payment of benefits to individuals taking training or retraining courses. The requirement of the Federal law does not extend to the criteria that States must use in approving training. Although some State laws have set forth the standards to be used, many do not specify what types of training. Generally, approved training is limited to vocational or basic education training, thereby excluding regularly enrolled students from collecting benefits under the approved training provision.

Massachusetts and Michigan, in addition to providing regular benefits while the claimant attends an industrial retraining or other vocational training course, provide extended benefits equal to 18 times the trainee's weekly benefits rate (sec. 335.03).

While in almost all States the participation of claimants in approved training courses, is voluntary, in the District of Columbia, Idaho and Missouri an individual may be required to accept such training.

California has established a demonstration project to last until 1985 that will, using special eligibility criteria and other procedures, test the effectiveness of training selected individuals for new jobs while collecting unemployment benefits. Also, established an employment training program to last until January 1987, to foster creation, minimize employer's unemployment costs and meet employer's needs for skilled workers by providing skilled training to recent unemployment insurance claimants, exhaustees and potentially displaced workers.

450.02 Students.—Most States exclude from coverage service performed by students for educational institutions (Table 103); New York also excludes part-time work by a day student in elementary or secondary school. In addition, many States have special provisions limiting the benefit rights of students who have had covered employment. See Table 407. In some of these States the disqualification is for the duration of the unemployment; in others, during attendance at school or during the school term. Colorado provides for a disqualification of from 6 to 12 weeks plus an equal reduction in benefits. In Iowa a student is considered to be engaged in "customary self-employment" and as such is not eligible for benefits; Idaho does not consider a student unemployed while attending school during the customary working hours of the occupation, except for students in approved training.

A few States disqualify claimants during school attendance and Montana and Utah extend the disqualification to vacation periods. In Utah the disqualification is not applicable if the major portion of the individual's base-period wages were earned while attending school. In other States students are deemed unavailable for work

while attending school and during vacation periods. California and Louisiana make an exception for students regularly employed and available for suitable work. In Ohio a student is eligible for benefits providing the base-period wages were earned while in school and the student is available for work with any base-period employer or for any other suitable employment.

335.03 Maximum weeks of benefits.—Maximum weeks of benefits vary from 20 to 34 weeks, most frequently 26 weeks. Table 309, giving the number of States by maximum weeks of benefits and maximum weekly amounts, shows the general tendency of the State formulas to be liberal in both respects if liberal in one.

In Massachusetts and Michigan, duration may be extended for those claimants who are taking training to increase their employment opportunities. In both States any claimant certified as attending a vocational retraining course approved by the agency is entitled to as much additional as an amount equal to 18 times the weekly benefit while attending the course. California pays benefits under the State extended benefits program to claimants during periods of retraining (sec. 335.07).

Table 407.—SPECIAL PROVISIONS FOR STUDENTS AND SCHOOL EMPLOYEES

State	Students—		School employees—	
	Disqualified for voluntarily leaving to attend school (7 States)	Ineligible during school attendance (13 States)	"Nonprofessionals" denied between terms	Benefits denied during vacation periods within terms
Ala			X	
Alaska		Disqualified [2]		
Ariz			X	X
Ark			X	X
Calif		Unavailable [2]	X	X
Colo	X		X	X
Conn	X		X	
Del			X	X
D.C.				
Fla			X	X
Ga			X	
Hawaii				
Idaho		Not unemployed	X	X
Ill		Unavailable [1]	X	
Ind			X	X
Iowa		Not unemployed	X	X
Kans	X		X	X
Ky			X	X
La		Unavailable [1] [2]	X	X
Maine			X	X
Md	X		X	X
Mass			X	X
Mich			X	X
Minn		Unavailable [1] [2]	X	X
Miss			X	
Mo			X	
Mont		Disqualified [1]		
Nebr		Disqualified [2]	X	X
Nev			X	X
N.H			X	X
N.J			X	X
N.Mex			X	X
N.Y			X	X
N.C.		Unavailable [1] [2]	[2] X	[2] X
N.Dak		Disqualified	X	
Ohio		([2])	X	X
Okla			X	
Oreg			X	X
Pa			X	X
P.R.				
R.I.				
S.C.			X	X
S.Dak			X	X

Table 407.—SPECIAL PROVISIONS FOR STUDENTS AND SCHOOL EMPLOYEES—Continued

State	Students—		School employees—	
	Disqualified for voluntarily leaving to attend school (7 States)	Ineligible during school attendance (13 States)	"Nonprofessionals" denied between terms	Benefits denied during vacation periods within terms
Tenn			X	X
Tex	X		X	X
Utah		Disqualified [1] [2]	X	X
Vt			X	X
Va			[2] X	[2] X
V I			X	X
Wash	[2] X	Disqualified [2]	X	X
W Va	X		X	X
Wis			X	X
Wyo			X	

[1] Disqualification or ineligibility continues during vacation periods, Ill., La., Minn., Mont., N.C., Utah.

[2] Not applicable to students who have worked part-time during school and are available for part-time work during school, Calif. Not applicable to student who leaves job while in school and is available for suitable work, La. Not disqualified if major part of base were for services performed while attending school, Minn., Neb., Utah; if full-time work is concurrent with school attendance, N.C. Individual who becomes unemployed while attending school and whose base were at least partially earned while attending school meets availability and work search requirements if he makes himself available for suitable employment on any shift, Ohio. Disqualification applies if individual is registered at a school that provides instruction of 10 or more hours per wk., Alaska; and 12 or more hours per week, Wash.

[3] Includes part-time and substitute school employees.

Ms. FISCHER. Well, Ms. Siegner is also telling me that under JPTA you are able to continue to collect UI. If you go through training, you are able to continue to college. That would be in the dislocated workers portion of JPTA. That would be like a national guideline. So Missouri—you are talking about funds in Missouri which are not JPTA funds?

Mr. GEPHARDT. Right.

Ms. FISCHER. Right.

Mr. GEPHARDT. Apparently, you see, there were a lot of unemployed workers getting unemployment who would like to just enroll with their own money in the junior college. We have a very good junior college system in Missouri. They have lots of training programs.

Ms. FISCHER. Right.

Mr. GEPHARDT. They wanted to go there while they were unemployed, which makes good sense to me, but they couldn't do it.

Ms. FISCHER. Yes.

Mr. GEPHARDT. I guess in one of the extended benefit programs, you have to be on the street 8 hours a day looking for a job.

Ms. FISCHER. Right.

Mr. GEPHARDT. I guess you could go at night but it would be difficult to work it out. I would like to know how many States have that problem. It seems we have an unemployment comp program that is costing both State and Federal Government and employers a lot of money to support.

We do want to extend the benefit. I think it is very important to do that. But it seems to me that is time and money that could well be used in retraining while people are unemployed, rather than going up and down the street looking for jobs that aren't there.

Ms. FISCHER. Right.

Mr. GEPHARDT. Thank you very much for being here. I appreciate very much your participating here.

Ms. FISCHER. Thank you very much.

Mr. GEPHARDT. This will end this session of this task force hearing. We will have an additional and last session on Thursday afternoon of this week. Thank you.

[Whereupon, at 11:40 a.m., the task force was adjourned.]